

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Monroe, Michigan</u>	County Monroe
Audit Date June 30, 2004	Opinion Date September 24, 2004	Date Accountant Report Submitted To State: December 13, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48034
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of Monroe, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information for the Year Ended June 30, 2004**

### **Mayor**

**John R. Iacoangeli**

### **City Manager**

**Debbie L. Manns**

### **City Council**

**Bill Burkett**

**C. James Sabo**

**Dorothy L. Edwards**

**Jean Guyor**

**Linda Compore**

**Suzanne Wetzel**

# City of Monroe, Michigan

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## **Introductory Section**

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# CITY OF MONROE

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Office of City Manager

November 18, 2004

Honorable Mayor, Members of the City  
Council and Citizens of the City of Monroe

We are pleased to submit the City of Monroe Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This report was prepared by the City Finance Department. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the City. All necessary disclosures are included in the document to enable the reader to gain an understanding of the City's financial activities.

This is the second year of reporting under the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB34), which significantly changed the content and format of municipal financial statements. GASB34 was developed to promote comparability of various units of government and to demonstrate the operational, as well as the fiscal accountability of each municipality. The fund-based statements use an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short term view of governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs and present a longer term view of the City. This view includes investments the City has made in its facilities and infrastructure.

## **Report Organization**

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The Introductory section includes this transmittal letter, some key facts about the City, an organization chart, a list of principal officials and a copy of the City's Certificate of Achievement in Financial Reporting as awarded by the Government Finance Officers Association. The financial section includes the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, combining individual fund statements and schedules and other supporting schedules and financial information. The statistical section includes selected financial and demographic information presented on a multi-year basis.

### **Reporting Entity and Services**

This report includes all the funds of the City as legally defined, as well as its component units. Component units are legally separate entities for which the City is financially accountable. These agencies are the Monroe Downtown Development Authority, the Monroe Brownfield Redevelopment Authority, the Monroe Building Authority and the Port of Monroe.

**Single Audit of Federal Programs** – The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including schedules, the independent auditors' reports on internal control structure, compliance with applicable laws and regulations and official information are included in the single audit section.

### **Accounting System Internal Control Structure**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budget Controls**

The City's budget is prepared in compliance with uniform budgeting provisions of Michigan law for all governmental fund types and in conformity with generally accepted accounting principles (modified accrual basis of accounting). Under the modified accrual basis of accounting, expenditures are recognized when the related liability is incurred and revenues are recognized when measurable and available. Expenditures are controlled at the department level (General Fund) or fund level (all other funds). Although encumbrances are reservations of fund balance and not expenditures, they are used as an extension of formal budgetary control.

### **Economic Condition and Outlook**

Monroe is a major employment center with companies such as Detroit Edison, Visteon, North Star Steel, and Delta USA maintaining facilities here. Monroe is also home to La Z-Boy, Inc. world headquarters. Modest growth in GDP (gross domestic product) of one to two percent is expected due to national economic growth, affordable financing, energy policies and stronger incentives for income, savings and investment. Monroe is



more diversified than most of the state and is the beneficiary of suburban expansion for those working in Detroit, Toledo and the Metro-Airport related businesses.

Building permits for new construction and alterations were valued at approximately \$23.0 million. This represents a decrease of about 4.2 percent over the five-year average of \$24.0 million, excluding fiscal 2002 which was an exceptional year generating permits valued at \$417.3 million.

Property taxes represent 70% of the General Fund revenues. Proposal "A", passed by voters in 1994, shifted school financing to the state sales tax, providing relief from property taxes. Relief is afforded through a homestead exemption from 18 mills of local school millage and a cap in assessment growth. Taxable values are capped at the lesser of 5% or general inflation by individual parcel, until a property is "transferred". Taxable valuation is distinguished from state equalized values formerly used as the base for property taxation. Tax base growth is mainly the result of new construction. For the 2003 tax year, covering fiscal 2003-04, the overall taxable value was approximately 145 million below state equalized value reducing potential tax revenue by \$2.2 million due to the cap.

State shared revenue accounts for approximately 12% of the City's General Fund revenue. This revenue was down 6.8 percent from the previous year due to slower than anticipated growth in the State's sales tax collections and the state's budget problems. Although state sales tax revenue is increasing, the state's 2004/2005 fiscal year budget contains a plan/provision to hold revenue sharing payments to cities at prior year levels. While we are encouraged by an improving economy, we continue to be conservative with budget estimates on the revenue side, and at the same time, be focused on controlling expenditure levels.

### **Major Initiatives**

A primary focus of management is constant improvement of customer service. Satisfaction of Monroe's citizens/customers continues to be the organization's driving force. All services provided are evaluated on the basis of benefits provided both to individual users and the Monroe community as a whole. This effort is reflected in both operations and in planning and budgeting, where performance measures have been implemented.

The following projects were active in 2003-2004:

#### **Local Streets:**

- Peters St. Resurfacing
- Winchester St. Resurfacing-4<sup>th</sup> to 8<sup>th</sup> Streets
- Michigan Ave. Paving-Elm to E. Noble

#### **Major Streets:**

- W. Elm Street Reconstruction
- Roessler Street Reconstruction Elm to Front
- N. Macomb Street Reconstruction-Elm to Bridge
- E. Third Street Asphalt resurfacing – CN RR to Conant

Major planned projects for Fiscal 2004-2005:

- Roessler St. Reconstruction – Front to Elm
- Conant Street Reconstruction – First to Third
- Adams St. Resurfacing – Seventh to City Line
- Navarre St. Resurfacing – Second to Fourth Streets
- Michigan Ave. Paving – Elm to Noble
- Toll Street Resurfacing – Elm to Lorain
- Oakwood Resurfacing – Macomb to Riverview
- Maple – Boulevard curbs
- Cooper St. (design)
- Rosewood (design)

### **Independent Audit**

State of Michigan statutes and City Charter require an independent audit of the City's financial transactions and records. In addition to meeting these requirements, the audit was designed to meet the requirements of the Single Audit Act of 1984, covering the City's federal financial assistance. Plante & Moran, PLLC, whose reports are included has performed this audit for Fiscal Year 2004.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

Lastly, I wish to recognize the professional contributions and extra efforts of the entire Finance staff throughout the year, particularly during the preparation of this report. I also wish to thank the Mayor and City Council members for their continued interest and support of the City's goal of excellence in all respects of financial management.

Respectfully Submitted,

  
Debbie L. Manns  
City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monroe,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

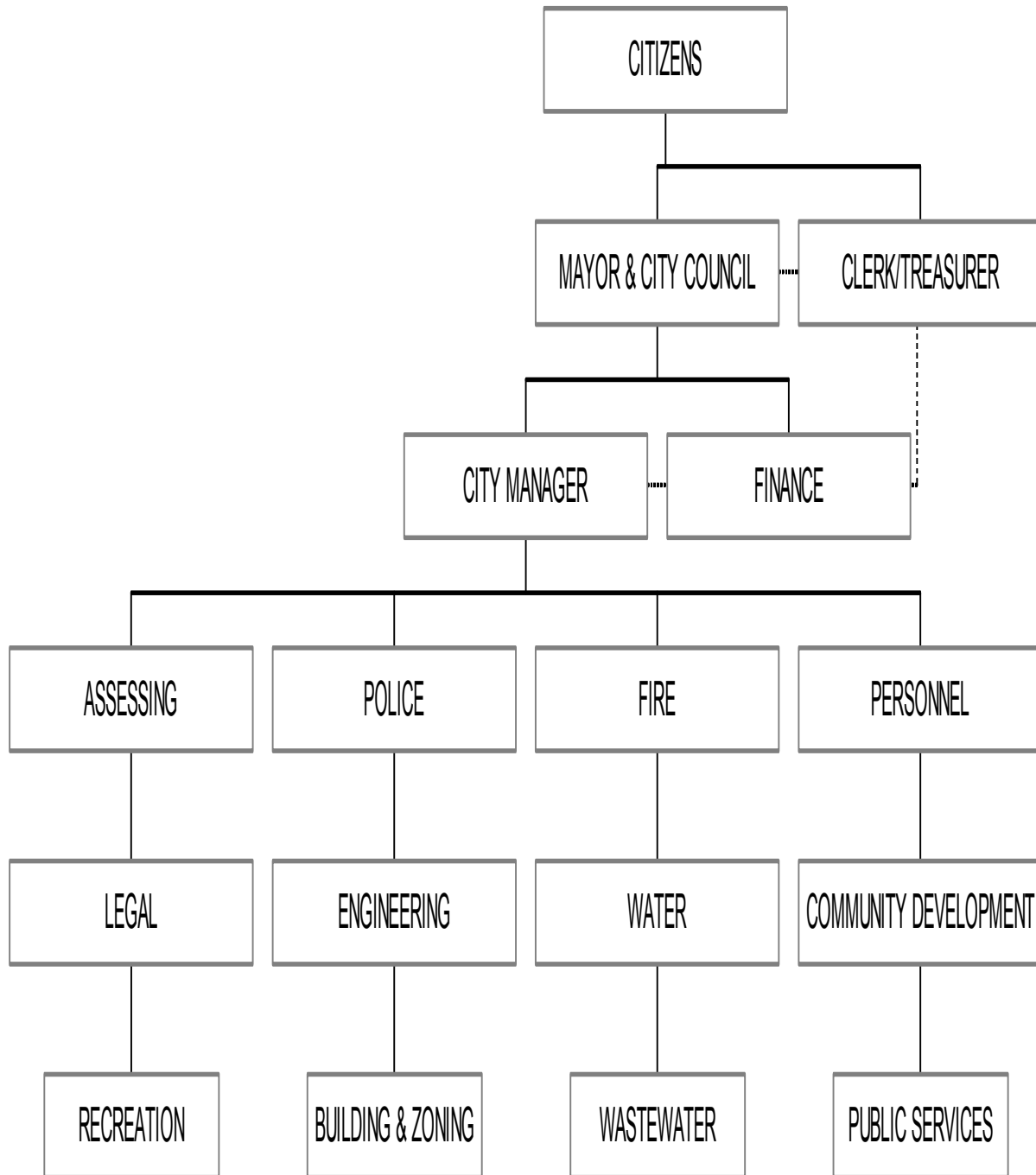
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# CITY OF MONROE ORGANIZATIONAL CHART



## **CITY OF MONROE, MICHIGAN**

### List of Principal Officials

TITLE	NAME
Mayor	John R. Iacoangeli
Council Members:	
First Precinct	Bill Burkett
Second Precinct	C. James Sabo
Third Precinct	Dorothy L. Edwards
Fourth Precinct	Jean Guyor
Fifth Precinct	Linda Compara
Sixth Precinct	Suzanne Wetzel
City Clerk/Treasurer	Charles D. Evans
City Manager	Debbie L. Manns
Assessor	Samuel J. Guich
Corporation Counsel	Braunlich, Russow & Braunlich
Development Services Director	Benjamin Tallerico
City Engineer	Patrick Lewis
Director of Utilities and Water	Barry LaRoy
Finance Director	Position vacant
Fire Chief	William E. Bert
Personnel Director	Joseph S. Lybik
Police Chief	John B. Michrina
Public Services Director	Scott H. Davidson
Wastewater Director	Daniel W. Stefanski

## **Facts about Monroe**

The City of Monroe is located in Monroe County in the far southeast portion of Michigan's Lower Peninsula. Located approximately 35 miles south of Detroit, Michigan, 15 miles north of Toledo, Ohio, and 40 miles southeast of Ann Arbor, Michigan, Monroe is the county seat with a population of 22,076 according to the 2000 Census.

Monroe is Michigan's third oldest continuous settlement, founded in 1784. The City operates under a manager-council form of government. Its most recent charter was adopted December 8, 1913. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the mayor, city clerk/treasurer, and six councilpersons, representing six precincts, elected at large. All terms of office are two years. Department heads are appointed by and serve at the pleasure of the city manager with the exception of the finance director and assistant city attorney, who serve at the pleasure of the mayor and council. The city manager is responsible for administration of all departments and functions of City government not under the jurisdiction of any other elected official or the Civil Service Commission. The city clerk/treasurer is responsible for keeping the public records and for receipt, disbursement, and custody of public monies and other evidences of value held by or belonging to the City. The council is responsible for all legislative matters including adoption of the City budget.

## **Financial Section**

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Southfield, MI 48037-0307  
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plantemoran.com

## Independent Auditor's Report

To the City Council  
City of Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan (the "City") as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$4,030,270 at June 30, 2004 and total revenue of \$347,795 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated July 22, 2004, disclaimed an opinion because of significant uncertainty related to environmental remediation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, except for the financial information related to the Port of Monroe (whose auditors disclaimed an opinion), the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A member of



A worldwide association of independent accounting firms



To the City Council  
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the General Fund budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The General Fund budgetary comparison schedules and the combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress and employer contributions, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

September 24, 2004

# City of Monroe, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Monroe, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$232,000. In response to this reduction, the City reduced expenditures by not filling selected vacant positions, closely monitoring overtime, and delaying capital equipment expenditures, which resulted in a General Fund balance increase of \$51,271.
- Grant revenue, both operating and capital, increased a total of \$960,116 primarily as a result of a federal Environmental Protection Agency revolving loan for cleanup of the former Consolidated Paper site and growth of the Mason Run residential housing project.
- Total net assets related to the City's governmental activities decreased by approximately \$2.5 million.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the citizens' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 32,308,541	\$ 29,940,643	\$ 12,793,419	\$ 12,742,054	\$ 45,101,960	\$ 42,682,697
Capital assets and investment in joint venture	78,539,569	81,185,571	44,904,712	44,082,641	123,444,281	125,268,212
Total assets	110,848,110	111,126,214	57,698,131	56,824,695	168,546,241	167,950,909
<b>Liabilities</b>						
Current liabilities	19,962,832	17,484,180	1,874,583	2,142,291	21,837,415	19,626,471
Long-term liabilities	7,440,260	7,704,976	1,090,000	1,285,000	8,530,260	8,989,976
Total liabilities	27,403,092	25,189,156	2,964,583	3,427,291	30,367,675	28,616,447
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	71,362,624	73,971,934	39,931,725	38,712,072	111,294,349	112,684,006
Restricted	3,060,630	2,563,615	-	-	3,060,630	2,563,615
Unrestricted	9,021,764	9,401,509	14,801,823	14,685,332	23,823,587	24,086,841
Total net assets	<u>\$ 83,445,018</u>	<u>\$ 85,937,058</u>	<u>\$ 54,733,548</u>	<u>\$ 53,397,404</u>	<u>\$ 138,178,566</u>	<u>\$ 139,334,462</u>

The City's combined net assets decreased by less than 1 percent from a year ago - decreasing from \$139.3 million to \$138.2 million. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$2.5 million for governmental activities. This represents a decrease of approximately 2.9 percent. The current level of unrestricted net assets for governmental activities stands at \$9.0 million, or about 36 percent of expenditures.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Net Assets - Beginning of year</b>	\$ 85,937,058	\$ 85,097,007	\$ 53,397,404	\$ 53,674,678	\$ 139,334,462	\$ 138,771,685
<b>Revenue</b>						
Program revenue:						
Charges for services	3,053,922	3,652,586	10,165,865	9,546,844	13,219,787	13,199,430
Operating grants and contributions	2,683,511	1,664,974	-	-	2,683,511	1,664,974
Capital grants and contributions	24,051	136,319	534,856	481,009	558,907	617,328
General revenue:						
Property taxes	13,547,001	13,207,761	-	-	13,547,001	13,207,761
State-shared revenue	2,211,290	2,443,593	-	-	2,211,290	2,443,593
Unrestricted investment earnings	321,738	430,530	253,806	289,625	575,544	720,155
Franchise fees	249,297	159,606	-	-	249,297	159,606
Other revenue	457,774	14,023	27,228	-	485,002	14,023
<b>Total revenue</b>	<b>22,548,584</b>	<b>21,709,392</b>	<b>10,981,755</b>	<b>10,317,478</b>	<b>33,530,339</b>	<b>32,026,870</b>
<b>Program Expenses</b>						
General government	2,739,358	2,478,310	-	-	2,739,358	2,478,310
Public safety	9,438,673	8,398,969	-	-	9,438,673	8,398,969
Public works	8,535,047	6,929,557	-	-	8,535,047	6,929,557
Community development	1,856,992	810,794	-	-	1,856,992	810,794
Culture and recreation	2,083,546	2,088,319	-	-	2,083,546	2,088,319
Interest on long-term debt	428,843	442,533	-	-	428,843	442,533
Water and wastewater	-	-	9,603,776	10,315,611	9,603,776	10,315,611
<b>Total program expenses</b>	<b>25,082,459</b>	<b>21,148,482</b>	<b>9,603,776</b>	<b>10,315,611</b>	<b>34,686,235</b>	<b>31,464,093</b>
<b>Excess (Deficiency)</b>	<b>(2,533,875)</b>	<b>560,910</b>	<b>1,377,979</b>	<b>1,867</b>	<b>(1,155,896)</b>	<b>562,777</b>
<b>Transfers</b>	<b>41,835</b>	<b>279,141</b>	<b>(41,835)</b>	<b>(279,141)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(2,492,040)</b>	<b>840,051</b>	<b>1,336,144</b>	<b>(277,274)</b>	<b>(1,155,896)</b>	<b>562,777</b>
<b>Net Assets - End of year</b>	<b>\$ 83,445,018</b>	<b>\$ 85,937,058</b>	<b>\$ 54,733,548</b>	<b>\$ 53,397,404</b>	<b>\$ 138,178,566</b>	<b>\$ 139,334,462</b>

Revenue for the City as a whole was up \$1.5 million (4.7 percent). Significant reductions were experienced in the areas of investment earnings (\$144,611) and State revenue-sharing (\$232,303). Reductions were offset by increases in operating grants, capital grants and contributions (\$960,116), property taxes (\$339,240), franchise fees, and other revenues (\$560,670).

Program expenses increased in the areas of public safety (\$1,039,704), public works (\$1,605,490), and community development (\$1,046,198). Water and Wastewater expenses decreased (\$711,835).

# **City of Monroe, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The City's total governmental revenues increased by approximately \$839,000 (3.8 percent) and governmental program expenses increased by approximately \$3,934,000 (18.6 percent).

Slower than predicted economic growth accounted for reductions in State revenue sharing and investment income. These reductions, which had a more direct impact on day-to-day operations, were addressed by more closely monitoring discretionary expenditures such as overtime, capital equipment replacements, and not filling select personnel vacancies. These savings were offset somewhat by increases in health care costs and property insurance rates.

### **Business-type Activities**

The City's business-type activities consist of the Water and Wastewater Funds. We operate the LePage Raw Water Pump Station in partnership with Frenchtown Charter Township and sell water to surrounding communities. We also provide wastewater treatment through a City-owned and operated sewage treatment plant. Fiscal year 2004 resulted in lower industrial usage and higher residential usage. Water loss decreased, in part due to industrial water conservation programs. The City experienced an operating income of approximately \$871,000 in the Water and Wastewater Funds.

### **The City's Funds**

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2004 include the General Fund, the Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$8.2 million. The costs of these departments are generally funded by property tax revenue sources of the General Fund. The activities of the Wastewater and Water Funds are disclosed under "business-type activities" above.

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. The most significant changes were in the areas of police operating supplies (\$63,000), police overtime (\$39,000), vehicles (\$12,000), and fire overtime (\$15,600). City departments overall stayed below budget, resulting in total expenditures of \$798,129 below budget. This more than offset the revenue shortfall, enabling the General Fund's fund balance to increase from \$2,945,610 a year ago to \$2,996,881 at June 30, 2004.

# **City of Monroe, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

At the end of 2004, the City had net capital assets of \$123,341,698 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Capital projects completed or in progress during fiscal year 2004 include the asphalt pavement on West Elm from Roessler to Monroe, Roessler Street concrete pavement reconstruction, N. Macomb Street reconstruction, asphalt resurfacing on East Third Street from the Canadian National RR to Conant St., continuation of the sidewalk replacement program, and asphalt paving on West Elm from Roessler to Monroe. Local streets included Peters Street resurfacing, Winchester Street resurfacing - 4<sup>th</sup> to 8<sup>th</sup> Streets, and Michigan Ave. paving - Elm to Old City Line.

The City is currently using 7.13 percent of our legal debt margin of \$100.5 million. Debt service makes up 2.2 percent of our total general governmental expenditures. Bonded debt and other long-term obligations were reduced by \$405,432.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Comerica Bank chief economist, David Littman, indicates that the U.S. economic expansion will eventually help lift Michigan's economy and the Monroe region in the year ahead. Michigan's income, employment, and sales, however, trail the nation with very modest growth in the 1 to 2 percent range. Monroe is more diversified economically than most of the state and is the recipient of suburban expansion for those working in Detroit, Toledo, and the metro airport related business expansion.

The City's fiscal year 2004-2005 budget calls for a slight increase of the property tax rates to fund operations. The City Council approved General Fund budget appropriations of \$18,725,246. Due to the impact of Proposal A, however, the City needs to continue to monitor its budget very closely. The State-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Some properties increase in value by less than inflation, resulting in the total taxable value for the City growing by less than the rate of inflation, before considering new property additions.

A Michigan Department of Natural Resources (DNR) matching grant will fund the expansion of the recreational facilities at Munson Park and will include developing a roadway and parking lot, concession building, utility extensions, tennis court reconstruction, and skate park.

Continued softness in the Michigan and national economies will continue to put pressure on investment income and State revenue sharing.

# **City of Monroe, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the finance department.

# City of Monroe, Michigan

## Government-wide Statement of Net Assets June 30, 2004

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 18,063,634	\$ 858,416	\$ 18,922,050	\$ 406,321
Investments (Note 3)	9,046,491	5,887,848	14,934,339	102,000
Receivables - Net:				
Taxes	1,523,594	93,157	1,616,751	15,020
Customers	63,397	1,793,179	1,856,576	51,183
Special assessments	285,345	144,208	429,553	-
Accrued interest	34,615	16,614	51,229	625
Economic development loans	1,051,963	-	1,051,963	-
Other	678,413	275,590	954,003	-
Due from other governmental units	1,154,860	-	1,154,860	222,351
Due from component units	-	1,054,946	1,054,946	-
Internal balances (Note 6)	(2,115,802)	2,115,802	-	-
Inventories	2,234,785	450,830	2,685,615	-
Prepaid costs and other assets	287,246	102,829	390,075	32,217
Equity in joint ventures (Note 11)	-	3,687,987	3,687,987	-
Restricted assets	-	-	-	28,282
Nondepreciable capital assets (Note 5)	3,037,358	367,931	3,405,289	2,300,826
Depreciable capital assets - Net (Note 5)	75,502,211	40,848,794	116,351,005	1,284,578
Total assets	110,848,110	57,698,131	168,546,241	4,443,403
<b>Liabilities</b>				
Accounts payable	810,911	353,380	1,164,291	22,617
Accrued and other liabilities	3,255,676	644,561	3,900,237	300,000
Due to other governmental units	148	68,767	68,915	1,054,946
Deferred revenue (Note 4)	15,394,840	612,875	16,007,715	294,537
Noncurrent liabilities (Note 7):				
Due within one year	501,257	195,000	696,257	20,000
Due in more than one year	6,675,688	1,090,000	7,765,688	100,000
Long-term portion of compensated absences	764,572	-	764,572	-
Total liabilities	27,403,092	2,964,583	30,367,675	1,792,100
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	71,362,624	39,931,725	111,294,349	3,465,404
Restricted:				
Streets and highways	2,173,939	-	2,173,939	-
Rubbish and recycling	243,060	-	243,060	-
Building code activities	205,782	-	205,782	-
Grants	388,405	-	388,405	-
Drug forfeitures	49,444	-	49,444	-
Other	-	-	-	28,282
Unrestricted	9,021,764	14,801,823	23,823,587	(842,383)
Total net assets	\$ 83,445,018	\$ 54,733,548	\$ 138,178,566	\$ 2,651,303



# City of Monroe, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,739,358	\$ 226,571	\$ 35,532	\$ -
Public safety	9,438,673	1,181,297	23,151	2,960
Public works	8,535,047	387,788	1,588,763	9,805
Community development	1,856,992	5,691	1,036,065	11,286
Culture and recreation	2,083,546	1,252,575	-	-
Interest on long-term debt	428,843	-	-	-
Total governmental activities	25,082,459	3,053,922	2,683,511	24,051
Business-type activities:				
Water	4,156,634	4,704,174	-	534,856
Wastewater	5,447,142	5,461,691	-	-
Total business-type activities	9,603,776	10,165,865	-	534,856
Total primary government	<u>\$ 34,686,235</u>	<u>\$ 13,219,787</u>	<u>\$ 2,683,511</u>	<u>\$ 558,907</u>
Component units:				
Port of Monroe	\$ 422,325	\$ 121,544	\$ -	\$ -
Downtown Development Authority	55,763	-	-	-
Brownfield Redevelopment Authority	575,387	-	215,966	-
Total component units	<u>\$ 1,053,475</u>	<u>\$ 121,544</u>	<u>\$ 215,966</u>	<u>\$ -</u>
General revenues:				
Property taxes:				
Operating				
Refuse				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of equipment				
Other				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets</b> - Beginning of year - As adjusted (Note 13)				
<b>Net Assets</b> - End of year				

**Government-wide Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,477,255)	\$ -	\$ (2,477,255)	\$ -
(8,231,265)	-	(8,231,265)	-
(6,548,691)	-	(6,548,691)	-
(803,950)	-	(803,950)	-
(830,971)	-	(830,971)	-
(428,843)	-	(428,843)	-
(19,320,975)	-	(19,320,975)	-
-	1,082,396	1,082,396	-
-	14,549	14,549	-
-	1,096,945	1,096,945	-
(19,320,975)	1,096,945	(18,224,030)	-
-	-	-	(300,781)
-	-	-	(55,763)
-	-	-	(359,421)
-	-	-	(715,965)
12,557,902	-	12,557,902	868,161
989,099	-	989,099	-
2,211,290	-	2,211,290	-
321,738	253,806	575,544	6,899
249,297	-	249,297	-
431,055	21,485	452,540	-
26,719	5,743	32,462	-
41,835	(41,835)	-	-
16,828,935	239,199	17,068,134	875,060
(2,492,040)	1,336,144	(1,155,896)	159,095
85,937,058	53,397,404	139,334,462	2,492,208
<b>\$ 83,445,018</b>	<b>\$ 54,733,548</b>	<b>\$ 138,178,566</b>	<b>\$ 2,651,303</b>

# City of Monroe, Michigan

## Governmental Funds Balance Sheet June 30, 2004

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 13,684,085	\$ 3,077,828	\$ 16,761,913
Investments	999,107	5,959,384	6,958,491
Receivables:			
Taxes	1,413,596	109,998	1,523,594
Customers	61,277	2,120	63,397
Special assessments	-	285,345	285,345
Accrued interest	18,912	10,675	29,587
Economic development loans	-	1,051,963	1,051,963
Other	259,189	317,658	576,847
Prepaid expenditures and other assets	40,989	6,810	47,799
Due from other governmental units	357,896	391,839	749,735
Due from other funds (Note 6)	31,809	43,654	75,463
Real estate inventories	2,206,830	-	2,206,830
<b>Total assets</b>	<b>\$ 19,073,690</b>	<b>\$ 11,257,274</b>	<b>\$ 30,330,964</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 232,239	\$ 519,586	\$ 751,825
Accrued and other liabilities	690,723	22,786	713,509
Due to other governmental units	-	148	148
Deferred revenue	13,338,489	2,646,450	15,984,939
Advances from other funds (Note 6)	1,815,358	-	1,815,358
Due to other funds (Note 6)	-	185,232	185,232
<b>Total liabilities</b>	<b>16,076,809</b>	<b>3,374,202</b>	<b>19,451,011</b>
<b>Fund Balances</b>			
Reserved - Prepaid expenditures	40,989	-	40,989
Unreserved, reported in:			
General Fund	2,955,892	-	2,955,892
Special Revenue Funds	-	6,033,496	6,033,496
Debt Service Funds	-	149,986	149,986
Capital Projects Fund	-	1,699,590	1,699,590
<b>Total fund balances</b>	<b>2,996,881</b>	<b>7,883,072</b>	<b>10,879,953</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,073,690</b>	<b>\$ 11,257,274</b>	<b>\$ 30,330,964</b>
<b>Fund Balance - Total Governmental Funds</b>			<b>\$ 10,879,953</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			78,539,569
Special assessment and property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures			590,099
State revenue-sharing payment received over 60 days after year end is not reported in the funds			405,125
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(7,941,517)
Accrued interest is not recorded in the funds			(52,091)
Internal Service Funds are included as part of governmental activities net of capital and long-term debt			1,023,880
<b>Net assets of governmental activities</b>			<b>\$ 83,445,018</b>

# City of Monroe, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 12,574,797	\$ 989,099	\$ 13,563,896
Licenses and permits	234,174	403,555	637,729
Federal grants	37,258	956,200	993,458
State-shared revenues and grants	2,325,492	1,634,798	3,960,290
Charges for services	2,096,351	136,912	2,233,263
Fines and forfeitures	144,332	-	144,332
Interest	154,090	91,005	245,095
Special assessment	-	148,979	148,979
Rent	58,628	485,974	544,602
Other	253,916	635,528	889,444
Total revenue	17,879,038	5,482,050	23,361,088
<b>Expenditures</b>			
Current:			
General government	3,296,274	-	3,296,274
Public safety	8,188,126	169,067	8,357,193
Public works	1,971,329	4,614,926	6,586,255
Health and welfare	359,449	39,367	398,816
Community development	-	215,966	215,966
Recreation and culture	2,594,465	-	2,594,465
Employee benefits and insurance	255,000	-	255,000
Capital outlay	-	376,895	376,895
Debt service	-	493,451	493,451
Other	-	7,590	7,590
Total expenditures	16,664,643	5,917,262	22,581,905
<b>Excess of Revenue Over (Under) Expenditures</b>	1,214,395	(435,212)	779,183
<b>Other Financing Sources (Uses)</b>			
Transfers in	91,852	1,382,968	1,474,820
Transfers out	(1,254,976)	(362,837)	(1,617,813)
Total other financing sources (uses)	(1,163,124)	1,020,131	(142,993)
<b>Net Change in Fund Balances</b>	51,271	584,919	636,190
<b>Fund Balances - Beginning of year</b>	2,945,610	7,298,153	10,243,763
<b>Fund Balances - End of year</b>	<u>\$ 2,996,881</u>	<u>\$ 7,883,072</u>	<u>\$ 10,879,953</u>

# City of Monroe, Michigan

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>636,190</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation:

Depreciation expense		(4,365,286)
Capital outlay expenditures		1,723,287

Governmental funds report proceeds on sales of assets in the statement of activities, not the gain		(28,289)
---	--	----------

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end		(59,932)
---	--	----------

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)		(35,878)
--	--	----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		172,642
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Interest is recorded as it accrues in the statement of activities		1,030
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Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities		(62,803)
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Internal Service Funds are also included as governmental activities		(473,001)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(2,492,040)</u></b>
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# City of Monroe, Michigan

## Proprietary Funds Statement of Fund Net Assets June 30, 2004

	Enterprise Funds				
	Major Funds		Building Authority -		Internal
	Wastewater	Water	Nonmajor Fund	Totals	Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 394,918	\$ 462,549	\$ 949	\$ 858,416	\$ 1,301,721
Investments	3,133,848	2,265,000	489,000	5,887,848	2,088,000
Receivables:					
Taxes	73,071	20,086	-	93,157	-
Customers	977,662	815,517	-	1,793,179	-
Special assessment	-	144,208	-	144,208	-
Interest	9,450	5,935	1,229	16,614	5,028
Other	14,250	261,340	-	275,590	101,566
Due from other funds (Note 6)	-	-	-	-	264,119
Advances to other funds (Note 6)	-	1,815,358	-	1,815,358	-
Advances to component units (Note 6)	-	1,054,946	-	1,054,946	-
Inventories	-	450,830	-	450,830	27,955
Prepaid costs and other assets	57,680	45,149	-	102,829	239,447
Total current assets	4,660,879	7,340,918	491,178	12,492,975	4,027,836
Noncurrent assets:					
Equity in joint ventures	-	3,687,987	-	3,687,987	-
Capital assets (Note 5)	16,412,546	24,449,888	354,291	41,216,725	1,729,789
Total noncurrent assets	16,412,546	28,137,875	354,291	44,904,712	1,729,789
Total assets	21,073,425	35,478,793	845,469	57,397,687	5,757,625
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	194,322	159,058	-	353,380	59,086
Accrued and other liabilities	250,208	394,353	-	644,561	2,490,076
Due to other funds	-	-	-	-	154,350
Due to other governmental units	-	68,767	-	68,767	-
Deferred revenue	119,451	8,267	485,157	612,875	-
Current portion of long-term debt (Note 7)	-	195,000	-	195,000	28,371
Total current liabilities	563,981	825,445	485,157	1,874,583	2,731,883
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	-	1,090,000	-	1,090,000	145,369
Total liabilities	563,981	1,915,445	485,157	2,964,583	2,877,252
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	16,412,546	23,164,888	354,291	39,931,725	1,701,418
Unrestricted (Note 2)	4,096,898	10,398,460	6,021	14,501,379	1,178,955
Total net assets	\$ 20,509,444	\$ 33,563,348	\$ 360,312	54,433,104	\$ 2,880,373
Amounts reported for business-type activities in the statement of net assets are different because					
receivable due from governmental activities based upon Internal Service Fund-type activities				300,444	
Net assets of business-type activities				\$ 54,733,548	

# City of Monroe, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2004

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Operating Revenue</b>					
Sale of water	\$ -	\$ 4,028,545	\$ -	\$ 4,028,545	\$ -
Sewage disposal charges	5,277,735	-	-	5,277,735	-
Charges to other funds	-	-	-	-	3,491,923
Other charges for services	183,956	681,823	-	865,779	68,347
Total operating revenue	5,461,691	4,710,368	-	10,172,059	3,560,270
<b>Operating Expenses</b>					
Operations and maintenance	1,397,188	978,820	-	2,376,008	238,539
Direct cost of providing service	2,656,985	1,932,923	-	4,589,908	663,809
Depreciation	985,999	776,500	-	1,762,499	217,665
Cost of health care and general liability claims	285,828	287,218	-	573,046	3,386,594
Total operating expenses	5,326,000	3,975,461	-	9,301,461	4,506,607
<b>Operating Income (Loss)</b>	135,691	734,907	-	870,598	(946,337)
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	42,865	204,920	6,021	253,806	66,567
Interest expense	-	(59,875)	-	(59,875)	-
Net income from equity in joint ventures	-	(451)	-	(451)	-
Gain on disposal of assets	-	21,485	-	21,485	-
Total nonoperating revenue	42,865	166,079	6,021	214,965	66,567
<b>Income (Loss) - Before capital contributions</b>	178,556	900,986	6,021	1,085,563	(879,770)
<b>Capital Contributions - Contribution of lines</b>	-	534,856	-	534,856	-
<b>Transfers from (to) Other Funds</b>	(23,018)	(18,817)	-	(41,835)	164,328
<b>Change in Net Assets</b>	155,538	1,417,025	6,021	1,578,584	(715,442)
<b>Net Assets - Beginning of year - As adjusted (Note 13)</b>	20,353,906	32,146,323	354,291	52,854,520	3,595,815
<b>Net Assets - End of year</b>	<u>\$ 20,509,444</u>	<u>\$ 33,563,348</u>	<u>\$ 360,312</u>	<u>\$ 54,433,104</u>	<u>\$ 2,880,373</u>
Change in net assets - Enterprise Funds				\$ 1,578,584	
Amounts reported for governmental activities in the statement of changes in net assets are different because - Amounts paid to Internal Service Funds were reimbursed to the proprietary funds				(242,440)	
Change in net assets of governmental activities				<u>\$ 1,336,144</u>	

# City of Monroe, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Enterprise Funds				
	Major Funds		Building Authority -	Totals	Internal Service Funds
	Wastewater	Water	Nonmajor Fund		
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 5,118,011	\$ 4,009,046	\$ -	\$ 9,127,057	\$ 3,557,983
Payments to suppliers	(2,392,884)	(1,048,024)	(37)	(3,440,945)	(525,459)
Payments to employees for wages and benefits	(2,127,329)	(2,237,335)	-	(4,364,664)	(3,631,030)
Other receipts	183,956	681,823	-	865,779	68,347
Net cash provided by (used in) operating activities	781,754	1,405,510	(37)	2,187,227	(530,159)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of capital assets	(666,343)	(1,601,352)	-	(2,267,695)	(241,952)
Issuance of long-term debt	-	-	-	-	173,740
Principal and interest paid on capital debt	-	(254,875)	-	(254,875)	(37,790)
Net cash used in capital and related financing activities	(666,343)	(1,856,227)	-	(2,522,570)	(106,002)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	43,923	207,310	5,112	256,345	73,921
Purchase of investment securities	-	546,727	(5,000)	541,727	41,785
Proceeds from sale and maturities of investment securities	154,088	-	-	154,088	68,479
Net cash provided by investing activities	198,011	754,037	112	952,160	184,185
<b>Cash Flows from Noncapital Financing Activities -</b>					
Transfers in (out)	(23,018)	(18,817)	-	(41,835)	164,328
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	290,404	284,503	75	574,982	(287,648)
<b>Cash and Cash Equivalents - Beginning of year</b>	104,514	178,046	874	283,434	1,589,369
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 394,918</u>	<u>\$ 462,549</u>	<u>\$ 949</u>	<u>\$ 858,416</u>	<u>\$ 1,301,721</u>



# City of Monroe, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2004

	Enterprise Funds				
	Major Funds		Building Authority -	Totals	Internal Service Funds
	Wastewater	Water	Nonmajor Fund		
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 135,691	\$ 734,907	\$ -	\$ 870,598	\$ (946,337)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	985,999	776,500	-	1,762,499	217,665
Receivables	(215,524)	(224,802)	-	(440,326)	(3,536)
Prepays	603	1,322	-	1,925	7,372
Due from other funds	-	128,214	-	128,214	69,596
Due from component units	-	70,343	-	70,343	-
Inventories	-	61,679	-	61,679	15,107
Accounts payable	(213,510)	(116,693)	(37)	(330,240)	(38,172)
Due to other funds	-	(8,069)	-	(8,069)	(45,739)
Deferred revenue	55,800	6,746	-	62,546	-
Accrued and other liabilities	32,695	(24,637)	-	8,058	193,885
Net cash provided by (used in) operating activities	<u>\$ 781,754</u>	<u>\$ 1,405,510</u>	<u>\$ (37)</u>	<u>\$ 2,187,227</u>	<u>\$ (530,159)</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2004, developers constructed water lines with an estimated value of \$534,856 and donated them to the City.

# City of Monroe, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2004

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust - Cemetery	Agency Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ -	\$ 521	\$ 6,438,561
Investments:			
U.S. government securities	15,971,672	-	-
Stocks	57,132,873	-	-
Bonds	22,285,749	-	-
Mutual funds	15,997,292	230,669	-
Other investments	3,573,148	-	-
Securities lending short-term collateral	11,677,881	-	-
Receivables - Accrued interest	504,510	7,348	-
Other assets	100,086	-	1,434,082
<b>Total assets</b>	<b>127,243,211</b>	<b>238,538</b>	<b>\$ 7,872,643</b>
<b>Liabilities</b>			
Accounts payable	-	3,078	\$ 9,347
Accrued and other liabilities	86,636	-	17,529
Due to other governmental units	-	-	7,845,767
Amounts due to broker under securities lending agreement	11,677,881	-	-
<b>Total liabilities</b>	<b>11,764,517</b>	<b>3,078</b>	<b>\$ 7,872,643</b>
<b>Net Assets - Held in trust for pension, other     employee benefits, and cemetery purposes</b>	<b>\$ 115,478,694</b>	<b>\$ 235,460</b>	

# City of Monroe, Michigan

## Fiduciary Funds Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds and Private Purpose Trust Fund Year Ended June 30, 2004

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 2,797,143	\$ 9,297
Net increase in fair value of investments	14,492,789	-
Less investment expenses	<u>(595,766)</u>	<u>-</u>
Net investment income	16,694,166	9,297
Securities lending income:		
Interest and fees	198,929	-
Less borrower rebates and bank fees	<u>(168,684)</u>	<u>-</u>
Net securities lending income	30,245	-
Contributions:		
Employer	1,868,401	-
Employee	585,311	-
Charges for services	-	24,007
Other	<u>-</u>	<u>10,200</u>
Total contributions	2,453,712	34,207
Transfer in	<u>-</u>	<u>20,500</u>
Total additions	19,178,123	64,004
<b>Deductions</b>		
Benefit payments	4,862,079	-
Refunds of contributions	21,700	-
Administrative expenses	<u>55,710</u>	<u>42,279</u>
Total deductions	<u>4,939,489</u>	<u>42,279</u>
<b>Net Increase</b>	14,238,634	21,725
<b>Net Assets Held in Trust</b>		
Beginning of year	<u>101,240,060</u>	<u>213,735</u>
End of year	<u><b>\$ 115,478,694</b></u>	<u><b>\$ 235,460</b></u>

# City of Monroe, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2004

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Current Assets</b>				
Cash and investments	\$ 100,813	\$ 240,758	\$ 166,750	\$ 508,321
Receivables:				
Taxes	15,020	-	-	15,020
Customers	51,183	-	-	51,183
Due from other governmental units	222,351	-	-	222,351
Accrued interest receivable	-	265	360	625
Prepaid expenses	27,217	5,000	-	32,217
Total current assets	416,584	246,023	167,110	829,717
<b>Long-term Assets</b>				
Capital assets	3,585,404	-	-	3,585,404
Restricted assets	28,282	-	-	28,282
Total long-term assets	3,613,686	-	-	3,613,686
Total assets	4,030,270	246,023	167,110	4,443,403
<b>Current Liabilities</b>				
Accounts payable	18,234	28	4,355	22,617
Deferred revenue	294,537	-	-	294,537
Advance payable to primary government	-	-	1,054,946	1,054,946
Current portion of long-term debt	20,000	-	-	20,000
Total current liabilities	332,771	28	1,059,301	1,392,100
<b>Noncurrent Liabilities</b>				
Long-term debt - Net of current portion	100,000	-	-	100,000
Environmental liabilities	300,000	-	-	300,000
Total noncurrent liabilities	400,000	-	-	400,000
Total liabilities	732,771	28	1,059,301	1,792,100
<b>Net Assets (Deficit)</b>				
Investment in capital assets - Net of related debt	3,465,404	-	-	3,465,404
Restricted	28,282	-	-	28,282
Unrestricted	(196,187)	245,995	(892,191)	(842,383)
Total net assets (deficit)	\$ 3,297,499	\$ 245,995	\$ (892,191)	\$ 2,651,303

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The Notes to Financial Statements are an  
Integral Part of this Statement.

**Component Units**  
**Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ (55,763)	\$ -	\$ (55,763)
-	-	(359,421)	(359,421)
-	(55,763)	(359,421)	(415,184)
(300,781)	-	-	(300,781)
1,994	3,228	1,677	6,899
224,257	90,791	553,113	868,161
226,251	94,019	554,790	875,060
(74,530)	38,256	195,369	159,095
3,372,029	207,739	(1,087,560)	2,492,208
<b>\$ 3,297,499</b>	<b>\$ 245,995</b>	<b>\$ (892,191)</b>	<b>\$ 2,651,303</b>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Monroe, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Monroe, Michigan:

#### **Reporting Entity**

The City of Monroe, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

#### **Blended Component Units**

The City Building Authority is governed by a board that is appointed by the mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

#### **Discretely Presented Component Units**

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body is selected by the mayor and subject to approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Downtown Development Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.

### **Note I - Summary of Significant Accounting Policies (Continued)**

- b. The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget. The Brownfield Redevelopment Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.
- c. The Port of Monroe (the "Port") was established as a separate legal entity to operate port facilities within the boundaries of the City. The Port is governed by a Port Commission, which is appointed by the City Council. The Commission's annual budget is also approved by the City Council. The Port issues a separate financial statement that can be obtained at the administrative offices at 2929 E. Front Street, Monroe, MI 48161.

**Jointly Governed Organizations** - Jointly governed organizations are discussed in Note II.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items are reported instead as general revenue.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989.

#### **Fund Descriptions**

**General Fund** - The General Fund is the City's only major governmental fund and its primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

**Water Fund** - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, State grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because it does business with individuals and firms outside the local unit departments. The system includes customers in the surrounding townships. The transportation lines to service those customers were installed by the individual townships and remain property of those townships.

**Wastewater Fund** - The Wastewater Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, EPA grants for wastewater treatment plant expansion, State grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because business is done with individuals outside the local unit departments. The system includes customers in the surrounding townships. In order to fund the system, the surrounding townships contributed approximately 60 percent of the plant assets; accordingly, approximately 60 percent of the capacity rights are reserved for the township customers. In addition, the Monroe Metropolitan Water Pollution Control System Board of Control was established to approve the annual rates for wastewater customers.

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds account for stores and equipment purchases, as well as technology purchases. In addition, the Internal Service Funds account for risk management related to health care, workers' compensation, and general liabilities.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

**Private Purpose Trust Fund (Cemetery Fund)** - The Private Purpose Trust Fund (Cemetery Fund) accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.

**Agency Fund** - The Agency Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the City funds and to other governmental units on a timely distribution basis.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of allowance for uncollectible amounts.

**Property Taxes** - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on the first Tuesday in May of the following year. These taxes are due without penalty during the period from the first Tuesday in May through June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2004. The 2003 taxable valuation of the City totaled \$887,296,790, on which ad valorem taxes levied consisted of 13.653 mills for the City's operating purposes and 1.10 mills for refuse. The ad valorem taxes raised \$11,876,000 for operations and \$956,000 for refuse. These amounts are recognized in the General Fund as tax revenue.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Real Estate Inventory** - Real estate inventory shown in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets purchased prior to the implementation of GASB No. 34 (July 1, 2002) are included in capital assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer distribution systems	40 to 75 years
Buildings and improvements	40 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for a portion of the unpaid accumulated sick leave since the City has a policy to pay one-half of an employee's unused sick leave when the employee retires. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

The City adopts formal budgets on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, 10 of the 11 Special Revenue Funds (not for the Budget Stabilization Fund), the Debt Service Funds, and the Capital Projects Fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By February of each year, all department heads submit spending requests to the finance director so that a budget may be prepared.
2. Before April, the proposed budget is submitted to the City Council for review.
3. Public hearings are held, and a final budget is adopted no later than May 1.
4. The City Council must approve any budget amendments.

A comparison of actual results of operations to the budgets as adopted by the City Council is included in the required supplemental information for the General Fund (major fund) and in the other supplemental information for nonmajor funds.

**Fund Deficits** - For the year ended June 30, 2004, the Brownfield Redevelopment Authority Fund has a fund deficit of \$892,191. This deficit will be eliminated over time as the property tax revenue captures increase when property cleanup is completed and property values increase.

**Net Assets of Internal Service Funds** - Certain net assets of Internal Service Funds have been designated by management for the following purposes:

Insurance	\$ 689,620
Employee benefits	218,308

It is management's intention to use the net assets to pay future claims and insurance premiums.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City's investment policy, adopted in accordance with State law, permits the City to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

The City's Pension Trust Fund (the "Retirement System") and the Retiree Health Care Fund are also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

As permitted by State statutes, and under the provisions of a Securities Lending Authorization Agreement, the Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Retirement System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2004, only United States currency was received as collateral.

### Note 3 - Deposits and Investments (Continued)

The Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2004 was 146 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2004, the Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Retirement System as of June 30, 2004 were \$11,677,881 and \$11,387,812, respectively.

The City's deposits and investment policies are in accordance with statutory authority.

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 18,063,634	\$ 858,416	\$ 6,439,082	\$ 25,361,132	\$ 406,321
Investments	9,046,491	5,887,848	126,869,284	141,803,623	102,000
Total	<u>\$ 27,110,125</u>	<u>\$ 6,746,264</u>	<u>\$ 133,308,366</u>	<u>\$ 167,164,755</u>	<u>\$ 508,321</u>



# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 27,379,384	\$ 508,321
Investments in securities, mutual funds, and similar vehicles	139,781,901	-
Petty cash or cash on hand	3,470	-
Total	<u>\$ 167,164,755</u>	<u>\$ 508,321</u>

The above deposits of the primary government were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$24,853,000. Of that amount, approximately \$700,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The above deposits of the component units were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$508,321, of which \$300,000 was covered by federal depository insurance.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004. Risk Category I includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent in the City's name

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Corporate bonds	\$ 22,022,347	\$ -	\$ -	\$ 22,022,347
U.S. government securities	13,610,959	-	-	13,610,959
Common and preferred stock	37,158,644	-	-	37,158,644
Repurchase agreements	3,571,625	-	-	3,571,625
Foreign stock	11,210,532	-	-	11,210,532
Subtotal	<u>\$ 87,574,107</u>	<u>\$ -</u>	<u>\$ -</u>	87,574,107
Investments not subject to categorization:				
Bank investment pools				13,143,287
Equity investment funds				11,075,280
Limited partnerships				1,523
Mutual funds				4,922,011
Investments held by broker-dealer and banks under securities loans:				
U.S. government securities				2,360,713
U.S. corporate fixed income				263,402
Common and preferred stock				8,763,697
Securities lending short-term collateral bank investment pool				<u>11,677,881</u>
Total primary government				<u>\$ 139,781,901</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

### **Note 3 - Deposits and Investments (Continued)**

The investments held by broker-dealers and banks under securities loans are not categorized because the corresponding collateral is recorded in the financial statements. The investments in the funds comply with the investment authority noted above.

Included in the City pension funds investments at June 30, 2004 are the following:

- Approximately \$4,697,000 of securities issued by the Federal National Mortgage Association (FNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reversing the prepaid amounts in investments with comparable yields.
- Approximately \$6,785,000 of collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reversing the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$584,000. These securities are backed by credit card receivables and small business administration loans. These obligations typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer modest credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayments for these "pay through" securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Property taxes for subsequent year's operations	\$ -	\$ 15,394,840
Special assessments and delinquent property taxes	590,099	-
Total deferred revenue	<u>\$ 590,099</u>	<u>\$ 15,394,840</u>

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 3,037,358	\$ -	\$ -	\$ 3,037,358
Capital assets being depreciated:				
Roads and sidewalks	106,112,434	1,029,690	-	107,142,124
Buildings and improvements	12,922,522	18,624	-	12,941,146
Land improvements	940,699	263,482	-	1,204,181
Equipment	<u>5,760,081</u>	<u>653,443</u>	<u>(284,411)</u>	<u>6,129,113</u>
Subtotal	125,735,736	1,965,239	(284,411)	127,416,564
Accumulated depreciation:				
Roads and sidewalks	40,561,275	3,684,125	-	44,245,400
Buildings and improvements	3,548,594	278,858	-	3,827,452
Land improvements	346,918	46,485	-	393,403
Equipment	<u>3,130,736</u>	<u>573,484</u>	<u>(256,122)</u>	<u>3,448,098</u>
Subtotal	<u>47,587,523</u>	<u>4,582,952</u>	<u>(256,122)</u>	<u>51,914,353</u>
Net capital assets being depreciated	<u>78,148,213</u>	<u>(2,617,713)</u>	<u>(28,289)</u>	<u>75,502,211</u>
Net capital assets	<u>\$ 81,185,571</u>	<u>\$ (2,617,713)</u>	<u>\$ (28,289)</u>	<u>\$ 78,539,569</u>

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Land	\$ 367,931	\$ -	\$ -	\$ 367,931
Capital assets being depreciated:				
Water and sewer distribution systems	34,068,923	1,763,426	-	35,832,349
Land improvements	336,230	-	-	336,230
Buildings and improvements	20,122,378	71,760	-	20,194,138
Vehicles	1,004,553	23,595	-	1,028,148
Machinery and equipment	16,428,332	928,369	-	17,356,701
Subtotal	71,960,416	2,787,150	-	74,747,566
Accumulated depreciation:				
Water and sewer distribution systems	9,088,834	438,542	-	9,527,376
Land improvements	66,854	16,455	-	83,309
Buildings and improvements	10,485,358	398,334	-	10,883,692
Vehicles	318,081	155,349	-	473,430
Machinery and equipment	12,250,048	680,917	-	12,930,965
Subtotal	32,209,175	1,689,597	-	33,898,772
Net capital assets being depreciated	39,751,241	1,097,553	-	40,848,794
Net capital assets	<u>\$ 40,119,172</u>	<u>\$ 1,097,553</u>	<u>\$ -</u>	<u>\$ 41,216,725</u>

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 177,474
Public safety	259,487
Public works	3,712,272
Recreation and culture	216,054
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	217,665
Total governmental activities	<u>\$ 4,582,952</u>
<b>Business-type activities:</b>	
Water	\$ 885,382
Wastewater	985,999
Total business-type activities	<u>\$ 1,871,381</u>

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor Fund - Major Streets Fund	\$ 31,809
Nonmajor Fund - Local Street Fund	Nonmajor Fund - Major Streets Fund	43,654
Internal Service - Employee Benefit Fund	Nonmajor Fund - Building Authority Debt Service	109,769
Internal Service - Insurance Fund	Internal Service - Stores and Equipment Fund	154,350
Total		<u>\$ 339,582</u>
<b>Advances Due to/from Other Funds</b>		
Water Fund	General Fund	<u>\$ 1,815,358</u>
<b>Advances Due to/from Primary Government and Component Units</b>		
Water Fund	Component unit - Brownfield Redevelopment Authority	<u>\$ 1,054,946</u>

Advances are being repaid with interest over a number of years.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds (1)	\$ 1,116,913
	Cemetery Trust Fund (4)	20,500
	Internal Service Funds (3)	<u>117,563</u>
	Total	1,254,976
Nonmajor governmental funds	General Fund (4)	91,852
	Nonmajor governmental funds (2)	266,055
	Internal Service Funds (3)	<u>4,930</u>
	Total	362,837
Wastewater Fund	Internal Service Funds (3)	23,018
Water Fund	Internal Service Funds (3)	<u>18,817</u>
<b>Total Transfers</b>		<b><u>\$ 1,659,648</u></b>

(1) Transfer for capital improvements

(2) Transfer for street expenditures

(3) For employee benefits

(4) For administrative purposes

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Original Amount	Interest Rate Ranges	Principal Maturity Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>									
General obligation bonds:									
City portion of Monroe County Municipal Building Authority Bonds - Jail Bond	\$ 401,082	4.85%-5.00%	\$38,616 - \$39,588	2006	\$ 115,847	\$ -	\$ 37,642	\$ 78,205	\$ 38,616
MDEQ Site Revitalization Loan	1,000,000	2.25%	\$81,136 - \$101,356	2015	1,000,000	-	-	1,000,000	101,356
Michigan Resource Recovery Project grant repayment	200,000	-%	\$20,000	2009	140,000	-	20,000	120,000	20,000
1997 Building Authority Bonds - Ice Arena	6,265,000	5.375%-5.40%	\$160,000 - \$450,000	2023	5,920,000	-	115,000	5,805,000	160,000
Total bond obligations					7,175,847	-	172,642	7,003,205	319,972
Other long-term obligations:									
Equipment lease obligations			\$37,790		37,790	-	37,790	-	-
Equipment lease obligations			\$28,371 - \$37,022		-	173,740	-	173,740	28,371
Compensated absences					701,770	960,521	897,719	764,572	152,914
Total other long-term obligations					739,560	1,134,261	935,509	938,312	181,285
Total governmental activities					\$ 7,915,407	\$ 1,134,261	\$ 1,108,151	\$ 7,941,517	\$ 501,257
<b>Business-type Activities</b>									
General obligation bonds - 1997 general obligation unlimited tax water refunding bonds	1,740,000	4.4%-4.9%	\$175,000 - \$195,000	2010	\$ 1,480,000	\$ -	\$ 195,000	\$ 1,285,000	\$ 195,000

All governmental bond obligations are financed through the Debt Service Funds. Other long-term governmental obligations are typically financed through the General Fund. Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 348,343	\$ 322,778	\$ 671,121	\$ 195,000	\$ 55,488	\$ 250,488
2006	344,973	326,321	671,294	190,000	46,778	236,778
2007	318,570	311,750	630,320	185,000	38,200	223,200
2008	331,851	298,526	630,377	185,000	29,690	214,690
2009	345,228	284,669	629,897	180,000	21,205	201,205
2010-2014	1,678,854	1,210,992	2,889,846	350,000	17,062	367,062
2015-2019	1,704,126	796,465	2,500,591	-	-	-
2020-2024	2,105,000	294,435	2,399,435	-	-	-
Total	\$ 7,176,945	\$ 3,845,936	\$ 11,022,881	\$ 1,285,000	\$ 208,423	\$ 1,493,423



### **Note 7 - Long-term Debt (Continued)**

#### **Defeased Debt**

In a prior year, the City defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2004, \$1,250,000 of bonds outstanding are considered to be defeased.

### **Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool for claims related to general liability; the City is uninsured for workers' compensation and medical benefits.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims have not exceeded the amount of insurance coverage in the past three years.

### Note 8 - Risk Management (Continued)

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Employee Benefit Internal Service Funds and within the governmental activities and business-type activities columns in the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Unpaid claims - Beginning of year	\$ 466,234	\$ 390,265
Incurred claims (including claims incurred but not reported)	1,533,078	2,621,726
Claim payments	<u>(1,550,777)</u>	<u>(2,545,757)</u>
Unpaid claims - End of year	<u>\$ 448,535</u>	<u>\$ 466,234</u>

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City of Monroe Employee Retirement System is a single employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and is administrated by the City of Monroe. This plan covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

At December 31, 2003, the date of the most recent actuarial valuation, membership consisted of 184 retirees and beneficiaries currently receiving benefits, 14 terminated employees entitled to benefits but not yet receiving them, and 245 current active employees. The plan does not issue a separate financial report.

### Note 9 - Defined Benefit Pension Plan (Continued)

**Funding Policy and Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 2 percent to 6 percent of gross wages, depending on the bargaining unit. The funding policy provides for periodic employer contributions at actuarially determined rates. The plan has been fully funded for several years. As a result, the City was not required to make a contribution after January 1, 2000. Administrative costs of the plan are financed through investment earnings.

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2003. Securities without an established market are reported at estimated fair value.

**Annual Pension Costs** - For the year ended June 30, 2004, the City's annual pension cost of \$0 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age cost method. Significant actuarial assumptions used include: (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional salary increases of 0 percent to 4 percent related to merit and/or longevity, and (d) 2 percent to 3 percent per year cost of living adjustments (depending on bargaining unit). Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 5 to 10 years depending on the bargaining unit.

**Reserves** - As of June 30, 2004, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 9,749,649
Reserve for retired benefit payments	40,566,299

### Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2002	2003	2004
General Employees' Retirement System:			
Annual pension costs (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

### Note 10 - Other Postemployment Benefits

During the year ended June 30, 1999, the City began prefunding for the liability for postemployment health care benefits related to employees covered under the Employees' Retirement System based on an actuarial valuation performed for the year ended December 31, 1998. At June 30, 2004, there were 183 active plan participants. Significant actuarial assumptions used in determining the health care obligation for the Employees' Retirement System include a rate of return on investments of present and future assets of 7.5 percent per year compounded annually and a long-term average assumed rate of premium increases of 4.5 percent per year. The actuarially accrued liability for health care as of June 30, 2004 has not been calculated. Employer payroll contributions of 13 percent were deemed by the actuary to be sufficient to sustain the fund indefinitely. The net assets available at June 30, 2004 amount to \$4,935,471. The health care benefit activity related to the employees covered under the General Employees' Retirement System is recorded in the Retiree Health Care Fund. Employer contributions made to this fund of \$1,868,401 for the year ended June 30, 2004 approximated the actuarially determined required contribution.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 11 - Joint Venture

In October 1991, for the purpose of owning and operating a raw water intake facility, the City and Frenchtown Township formed the Monroe-Frenchtown Raw Water Supply Partnership (the "Partnership"). The Partnership began operations in December 1994 upon completion of the Frenchtown Township's own water processing plant.

The City had an 11/15 interest and the Township had a 4/15 interest in the Partnership. During the year ended June 30, 2004, the partnership ownership's was amended. The new ownership is 18/26 and 8/26, respectively. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operation and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2004:

Total assets	\$ 5,340,049
Total liabilities	14,766
Total equity	5,325,283
Total revenue	338,178
Total operating expenses	198,674
Total nonoperating expenses	117,911
Increase in equity	21,593

Complete financial statements for the joint venture can be obtained from the administrative offices at 120 E. First Street, Monroe, Michigan.

The City's equity interest in the Partnership of \$3,703,383 is recorded in the Water Fund.

### Note 12 - Economic Dependency

Three taxpayers account for approximately 47 percent of the City's tax revenue and 19 percent of the water and sewage disposal revenue.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2004

### Note 13 - Accounting Correction

During the year, the City corrected its recording for certain fixed assets. The accounting records were updated to agree with inventory records. The accounting change had the following effect on net assets:

#### Enterprise Funds

	Wastewater	Water	Building Authority	Total Enterprise Funds
Net assets - June 30, 2003 - As originally stated	\$ 20,353,906	\$ 31,392,317	\$ 354,291	\$ 52,100,514
Adjustment for change in asset due to inventory and change in depreciable lives	-	754,006	-	754,006
Net assets - June 30, 2003 - As adjusted	<u>\$ 20,353,906</u>	<u>\$ 32,146,323</u>	<u>\$ 354,291</u>	<u>\$ 52,854,520</u>
	Business-type Activities			
Net assets - June 30, 2003 - As originally stated	\$ 52,643,399			
Adjustments (per above) - Enterprise Funds	<u>754,005</u>			
Net assets - June 30, 2003 - As adjusted	<u>\$ 53,397,404</u>			

## **Required Supplemental Information**

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# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 2,449,641	\$ 2,945,610	\$ 2,945,610	\$ -
<b>Revenue</b>				
Property taxes	13,117,755	13,117,755	12,574,797	(542,958)
Licenses and permits	182,950	182,950	234,174	51,224
Federal sources	8,121	76,767	37,258	(39,509)
State-shared revenues and grants	2,398,900	2,398,900	2,325,492	(73,408)
Charges for services	2,272,988	2,257,695	2,096,351	(161,344)
Fines and forfeitures	122,500	122,500	144,332	21,832
Interest income	108,000	108,000	154,090	46,090
Rent	57,700	57,700	58,628	928
Other	298,214	302,979	253,916	(49,063)
Total revenue	18,567,128	18,625,246	17,879,038	(746,208)
<b>Expenditures</b>				
General government:				
City Council	163,350	183,351	174,640	8,711
City manager	420,531	437,169	423,272	13,897
Clerk-Treasurer	381,045	419,520	410,189	9,331
Finance	429,506	436,631	382,635	53,996
Assessor	312,722	308,265	300,692	7,573
Attorney	225,454	235,454	226,209	9,245
Data processing	-	159,815	159,815	-
Personnel	252,967	260,184	228,609	31,575
Engineering	520,546	520,740	485,827	34,913
City hall grounds	272,234	509,541	504,386	5,155
Total general government	2,978,355	3,470,670	3,296,274	174,396
Public safety:				
Police	4,463,172	4,542,537	4,427,153	115,384
Fire	3,711,196	3,838,563	3,755,302	83,261
Zoning/Ordinance enforcement	229,759	52,600	5,671	46,929
Total public safety	8,404,127	8,433,700	8,188,126	245,574
Public works - Department of Public Services	2,157,351	1,919,253	1,971,329	(52,076)
Health and welfare - Community development	467,073	430,502	359,449	71,053



# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Recreation and culture:				
Historic district commission	\$ 56,100	\$ 56,100	\$ 56,100	\$ -
Social services	134,786	77,500	101,405	(23,905)
Public access TV	77,500	134,786	134,786	-
Recreation	<u>1,980,102</u>	<u>2,383,598</u>	<u>2,302,174</u>	<u>81,424</u>
Total recreation and culture	2,248,488	2,651,984	2,594,465	57,519
Employee benefits and insurance	122,563	255,000	255,000	-
Contingencies	<u>375,000</u>	<u>301,663</u>	<u>-</u>	<u>301,663</u>
Total expenditures	16,752,957	17,462,772	16,664,643	798,129
<b>Other Sources</b> - Transfers from other funds	-	-	91,852	91,852
<b>Other Uses</b> - Transfers to other funds	<u>(1,483,228)</u>	<u>(1,258,230)</u>	<u>(1,254,976)</u>	<u>3,254</u>
<b>Fund Balance</b> - End of year	<u>\$ 2,780,584</u>	<u>\$ 2,849,854</u>	<u>\$ 2,996,881</u>	<u>\$ 147,027</u>

# City of Monroe, Michigan

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## Note to Required Supplemental Information June 30, 2004

### Note - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, 10 of the 11 Special Revenue Funds, the Debt Service Funds, and the Capital Projects Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Council is the department level.

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget is adopted on a departmental basis. Expenditures at this level in excess of budget appropriations are a violation of Michigan law.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City had the following expenditure budget variances:

	<u>Budget</u>	<u>Actual</u>
General Fund - Public works expenditures	<u>\$ 2,169,026</u>	<u>\$ 2,234,428</u>

# City of Monroe, Michigan

## Required Supplemental Information Retirement System Schedule of Funding Progress and Employer Contributions (Dollar amounts in thousands) June 30, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
<b>General Employees' Retirement System</b>						
12/31/98	\$ 83,049	\$ 59,216	\$ (23,833)	140.2	\$ 10,584	225.2
12/31/99	94,155	62,487	(31,668)	150.7	10,474	302.3
12/31/00	104,266	69,040	(35,226)	151.0	11,857	297.1
12/31/01	110,126	72,033	(38,093)	152.9	11,907	319.9
12/31/02	110,362	81,224	(29,138)	135.9	12,515	232.8
12/31/03	110,752	86,365	(24,387)	128.2	12,573	194.0

The schedule of employer contributions is as follows:

### General Employees' Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/99	12/31/97	\$ 547,316	100.0
06/30/00	12/31/98	426,131	100.0
06/30/01	12/31/99	11,596	100.0
06/30/02	12/31/00	-	100.0
06/30/03	12/31/01	-	100.0
06/30/04	12/31/02	-	100.0

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2000, the latest actuarial valuation date, is as follows:

### General Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	Varies
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.5%
**Includes inflation at	4.5%
Cost of living adjustments	2%-3%

## **Other Supplemental Information**

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# Nonmajor Governmental Funds

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## Special Revenue Funds

The **Major Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by State-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Local Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by State-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Rubbish, Garbage, and Recycling Fund** accounts for the funds provided by special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy.

The **Parking Meter Fund** accounts for collection of parking fees and fines and offsetting costs.

The **Grants Fund** accounts for entitlements received under the federally funded Community Development Block Grant Program. These funds are used to provide approved Block Grant projects and programs.

The **Budget Stabilization Fund** accounts for funds earmarked for use in balancing the budget in future years.

The **Drug Forfeiture Fund** accounts for proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333,7521-7524).

The **Economic Development Fund** accounts for economic development activities within the City. Currently, interest earnings are the only source of revenue.

The **Airport Fund** accounts for the operations of Custer Airport. Financing is provided by user charges.

The **Building Department Fund** accounts for operations of construction code activities.

The **Expendable Trust Fund** accounts for money held in trust resulting from donations to be used for a particular purpose.

# **Nonmajor Governmental Funds (Continued)**

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## **Debt Service Funds**

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies, for which the government is obligated in some manner for payment.

The **Building Authority Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest related to the multi-sports complex.

## **Capital Projects Fund**

The **Capital Projects Fund** is used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

# City of Monroe, Michigan

	Special					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 480,151	\$ 1,170,799	\$ 200,171	\$ 155,685	\$ 48,756
Investments	1,477,000	-	93,000	120,000	245,000	1,951,244
Receivables:						
Customer receivables	-	-	-	-	-	-
Property taxes	-	-	105,828	-	-	-
Economic development loans	-	-	-	-	107,049	-
Special assessment receivable	37,528	-	-	-	-	-
Accrued interest	2,983	475	522	540	779	-
Other	26	8,457	200	4,280	28,581	-
Other assets	-	-	-	-	-	-
Due from other funds	-	43,654	-	-	-	-
Due from other governmental units	195,978	61,206	26	-	3,046	-
<b>Total assets</b>	<b>\$ 1,713,515</b>	<b>\$ 593,943</b>	<b>\$ 1,370,375</b>	<b>\$ 324,991</b>	<b>\$ 540,140</b>	<b>\$ 2,000,000</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 22,486	\$ 3,132	\$ 77,537	\$ 22,473	\$ 1	\$ -
Accrued and other liabilities	-	-	-	3,381	-	-
Deferred revenue	29,746	2,692	1,049,778	6,960	151,734	-
Due to other governmental units	-	-	-	-	-	-
Due to other funds	75,463	-	-	-	-	-
<b>Total liabilities</b>	<b>127,695</b>	<b>5,824</b>	<b>1,127,315</b>	<b>32,814</b>	<b>151,735</b>	<b>-</b>
<b>Fund Balances - Unreserved</b>	<b>1,585,820</b>	<b>588,119</b>	<b>243,060</b>	<b>292,177</b>	<b>388,405</b>	<b>2,000,000</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,713,515</b>	<b>\$ 593,943</b>	<b>\$ 1,370,375</b>	<b>\$ 324,991</b>	<b>\$ 540,140</b>	<b>\$ 2,000,000</b>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2004**

Revenue Funds					Debt Service Funds		Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Drug Forfeiture	Economic Development	Airport	Building Department	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	
\$ 3,308	\$ 399,439	\$ 25,427	\$ 225,318	\$ 127,715	\$ 712	\$ 42,310	\$ 198,037	\$ 3,077,828
46,000	106,140	-	-	-	6,000	210,000	1,705,000	5,959,384
-	-	2,120	-	-	-	-	-	2,120
-	-	-	-	-	390	-	3,780	109,998
-	944,914	-	-	-	-	-	-	1,051,963
-	-	-	-	-	-	-	247,817	285,345
137	651	6	148	-	20	475	3,939	10,675
-	233,947	-	-	78	-	-	42,089	317,658
-	-	6,770	40	-	-	-	-	6,810
-	-	-	-	-	-	-	-	43,654
-	89,663	36,670	-	-	-	-	5,250	391,839
<b>\$ 49,445</b>	<b>\$ 1,774,754</b>	<b>\$ 70,993</b>	<b>\$ 225,506</b>	<b>\$ 127,793</b>	<b>\$ 7,122</b>	<b>\$ 252,785</b>	<b>\$ 2,205,912</b>	<b>\$ 11,257,274</b>
\$ 1	\$ 109,720	\$ 2,150	\$ 319	\$ -	\$ -	\$ 4	\$ 281,763	\$ 519,586
-	-	-	19,405	-	-	-	-	22,786
-	1,178,861	2,120	-	-	-	-	224,559	2,646,450
-	-	-	-	-	148	-	-	148
-	-	-	-	-	-	109,769	-	185,232
1	1,288,581	4,270	19,724	-	148	109,773	506,322	3,374,202
49,444	486,173	66,723	205,782	127,793	6,974	143,012	1,699,590	7,883,072
<b>\$ 49,445</b>	<b>\$ 1,774,754</b>	<b>\$ 70,993</b>	<b>\$ 225,506</b>	<b>\$ 127,793</b>	<b>\$ 7,122</b>	<b>\$ 252,785</b>	<b>\$ 2,205,912</b>	<b>\$ 11,257,274</b>



# City of Monroe, Michigan

	Special					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 989,099	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal sources	-	-	-	-	11,286	-
State sources	1,228,627	360,136	-	-	-	-
Charges for service	-	-	13,307	123,605	-	-
Interest income	19,553	6,336	10,144	4,035	10,928	-
Special assessments	9,805	-	-	-	-	-
Rent	-	-	-	-	-	-
Other	-	5,527	-	-	-	-
Total revenue	1,257,985	371,999	1,012,550	127,640	22,214	-
<b>Expenditures</b>						
Current services:						
Public safety	-	-	-	157,352	-	-
Public works	770,737	685,703	1,051,664	4,890	-	-
Health and welfare	-	-	-	-	39,367	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Transfer to component unit	-	-	-	-	-	-
Total expenditures	770,737	685,703	1,051,664	162,242	39,367	-
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	487,248	(313,704)	(39,114)	(34,602)	(17,153)	-
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	339,840	-	-	-	200,000
Transfers out	(266,055)	-	-	(478)	-	-
Transfers from component unit to primary government	-	-	-	-	-	-
Total other financing sources (uses)	(266,055)	339,840	-	(478)	-	200,000
<b>Net Change in Fund Balances</b>	221,193	26,136	(39,114)	(35,080)	(17,153)	200,000
<b>Fund Balances - Beginning of year</b>	1,364,627	561,983	282,174	327,257	405,558	1,800,000
<b>Fund Balances - End of year</b>	<b>\$ 1,585,820</b>	<b>\$ 588,119</b>	<b>\$ 243,060</b>	<b>\$ 292,177</b>	<b>\$ 388,405</b>	<b>\$ 2,000,000</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2004**

Revenue Funds					Debt Service Funds		Nonmajor Capital Projects Fund	
Drug Forfeiture	Economic Development	Airport	Building Department	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 989,099
-	-	-	403,555	-	-	-	-	403,555
-	944,914	-	-	-	-	-	-	956,200
-	46,035	-	-	-	-	-	-	1,634,798
-	-	-	-	-	-	-	-	136,912
541	6,980	198	3,898	-	536	2,432	25,424	91,005
-	-	-	-	-	-	-	139,174	148,979
-	-	-	-	-	-	485,974	-	485,974
31,051	354,318	57,751	-	45,116	-	-	141,765	635,528
31,592	1,352,247	57,949	407,453	45,116	536	488,406	306,363	5,482,050
11,715	-	-	-	-	-	-	-	169,067
-	1,145,563	38,571	460,198	81,681	-	-	375,919	4,614,926
-	-	-	-	-	-	-	-	39,367
-	-	-	-	-	-	-	376,895	376,895
-	-	-	-	-	62,465	430,986	-	493,451
-	-	-	-	-	-	7,590	-	7,590
-	215,966	-	-	-	-	-	-	215,966
11,715	1,361,529	38,571	460,198	81,681	62,465	438,576	752,814	5,917,262
19,877	(9,282)	19,378	(52,745)	(36,565)	(61,929)	49,830	(446,451)	(435,212)
-	-	-	-	-	41,913	-	801,215	1,382,968
-	-	-	(96,304)	-	-	-	-	(362,837)
-	-	-	-	-	-	-	-	-
-	-	-	(96,304)	-	41,913	-	801,215	1,020,131
19,877	(9,282)	19,378	(149,049)	(36,565)	(20,016)	49,830	354,764	584,919
29,567	495,455	47,345	354,831	164,358	26,990	93,182	1,344,826	7,298,153
<b>\$ 49,444</b>	<b>\$ 486,173</b>	<b>\$ 66,723</b>	<b>\$ 205,782</b>	<b>\$ 127,793</b>	<b>\$ 6,974</b>	<b>\$ 143,012</b>	<b>\$ 1,699,590</b>	<b>\$ 7,883,072</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds Year Ended June 30, 2004

### Special Revenue Fund - Major Streets

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues and Other Sources</b>				
Grants	\$ 60,216	\$ 120,432	\$ 60,179	\$ (60,253)
Interest on investments	16,900	16,900	19,553	2,653
State sources	1,026,509	1,026,509	1,168,448	141,939
Federal sources	751,000	-	-	-
Other sources - Transfers in	7,919	7,919	9,805	1,886
Total revenues and other sources	<u>\$ 1,862,544</u>	<u>\$ 1,171,760</u>	<u>\$ 1,257,985</u>	<u>\$ 86,225</u>

### Expenditures and Other Uses

Public works	\$ 874,254	\$ 1,079,685	\$ 770,737	\$ (308,948)
Other uses - Transfers out	229,100	229,100	266,055	36,955
Total expenditures and other uses	<u>\$ 1,103,354</u>	<u>\$ 1,308,785</u>	<u>\$ 1,036,792</u>	<u>\$ (271,993)</u>

### Special Revenue Fund - Local Streets

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues and Other Sources</b>				
State sources	\$ 320,200	\$ 320,200	\$ 360,136	\$ 39,936
Interest on investments	6,500	6,500	6,336	(164)
Other revenue	-	60,218	5,529	(54,689)
Other sources - Transfers in	302,885	302,885	339,840	36,955
Total revenues and other sources	<u>\$ 629,585</u>	<u>\$ 689,803</u>	<u>\$ 711,841</u>	<u>\$ 22,038</u>
<b>Expenditures - Public works</b>	<u>\$ 885,783</u>	<u>\$ 885,783</u>	<u>\$ 685,703</u>	<u>\$ (200,080)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Special Revenue Fund - Rubbish, Garbage, and Recycling

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 1,002,716	\$ 1,002,716	\$ 989,099	\$ (13,617)
Interest on investments	13,500	13,500	10,144	(3,356)
Charges for services	14,650	14,650	13,307	(1,343)
Total revenues	<u>\$ 1,030,866</u>	<u>\$ 1,030,866</u>	<u>\$ 1,012,550</u>	<u>\$ (18,316)</u>
<b>Expenditures - Public works</b>	<u>\$ 950,330</u>	<u>\$ 1,024,382</u>	<u>\$ 1,051,664</u>	<u>\$ 27,282</u>

### Special Revenue Fund - Parking Meter

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Parking fees and fines	\$ 148,000	\$ 148,000	\$ 123,605	\$ (24,395)
Interest on investments	5,110	5,110	4,035	(1,075)
Total revenues	<u>\$ 153,110</u>	<u>\$ 153,110</u>	<u>\$ 127,640</u>	<u>\$ (25,470)</u>
<b>Expenditures and Other Uses</b>				
Other uses - Transfer out	\$ 478	\$ 478	\$ 478	\$ -
Public safety	284,307	284,307	162,242	(122,065)
Total expenditures and other uses	<u>\$ 284,785</u>	<u>\$ 284,785</u>	<u>\$ 162,720</u>	<u>\$ (122,065)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Special Revenue Fund - Economic Development

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 1,000,000	\$ 990,949	\$ (9,051)
Sale of assets	288,000	288,000	354,318	66,318
Interest on investments	2,500	2,500	6,980	4,480
Total revenues	<u>\$ 290,500</u>	<u>\$ 1,290,500</u>	<u>\$ 1,352,247</u>	<u>\$ 61,747</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 66,838	\$ 291,724	\$ 1,145,563	\$ 853,839
Other uses - Transfer out - Brownfield Redevelopment Authority Fund	355,000	355,000	215,966	(139,034)
Total expenditures and other uses	<u>\$ 421,838</u>	<u>\$ 646,724</u>	<u>\$ 1,361,529</u>	<u>\$ 714,805</u>

### Special Revenue Fund - Drug Forfeiture

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 31,051	\$ 21,051
Grant revenue	8,285	8,285	-	(8,285)
Interest on investments	400	400	541	141
Total revenues	<u>\$ 18,685</u>	<u>\$ 18,685</u>	<u>\$ 31,592</u>	<u>\$ 12,907</u>
<b>Expenditures - Public safety</b>	<u>\$ 38,071</u>	<u>\$ 38,071</u>	<u>\$ 11,715</u>	<u>\$ (26,356)</u>

### Special Revenue Fund - Airport

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 332,500	\$ -	\$ (332,500)
Commissions	69,760	69,760	57,751	(12,009)
Rent	1,700	-	-	-
Interest on investments	410	410	198	(212)
Total revenues	<u>\$ 71,870</u>	<u>\$ 402,670</u>	<u>\$ 57,949</u>	<u>\$ (344,721)</u>
<b>Expenditures - Public works</b>	<u>\$ 404,386</u>	<u>\$ 404,386</u>	<u>\$ 38,571</u>	<u>\$ (365,815)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Special Revenue Fund - Building Department

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Licenses and permits	\$ 422,525	\$ 422,525	\$ 403,555	\$ (18,970)
Interest on investments	11,000	11,000	3,898	(7,102)
Total revenues	<u>\$ 433,525</u>	<u>\$ 433,525</u>	<u>\$ 407,453</u>	<u>\$ (26,072)</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 468,390	\$ 464,344	\$ 460,198	\$ (4,146)
Other uses - Transfers out	4,452	96,304	96,304	-
Total expenditures and other uses	<u>\$ 472,842</u>	<u>\$ 560,648</u>	<u>\$ 556,502</u>	<u>\$ (4,146)</u>

### Special Revenue Fund - Grants

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues and Other Sources</b>				
Federal sources	\$ 11,286	\$ 11,286	\$ 11,286	\$ -
Interest income	-	-	10,928	10,928
Other sources - Transfers in	1,254	1,254	-	(1,254)
Total revenues and other sources	<u>\$ 12,540</u>	<u>\$ 12,540</u>	<u>\$ 22,214</u>	<u>\$ 9,674</u>
<b>Expenditures - Health and welfare</b>	<u>\$ 63,263</u>	<u>\$ 63,263</u>	<u>\$ 39,367</u>	<u>\$ (23,896)</u>

### Special Revenue Fund - Expendable Trust

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues - Other revenue</b>	<u>\$ -</u>	<u>\$ 39,782</u>	<u>\$ 45,116</u>	<u>\$ 5,334</u>
<b>Expenditures - Public works</b>	<u>\$ -</u>	<u>\$ 208,114</u>	<u>\$ 81,681</u>	<u>\$ (126,433)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Debt Service Fund - Debt Service

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Transfer in	\$ 41,913	\$ 41,913	\$ 41,913	\$ -
Interest on investments	840	600	536	(64)
Contributions	20,000	20,000	-	(20,000)
Total revenues	<u>\$ 62,753</u>	<u>\$ 62,513</u>	<u>\$ 42,449</u>	<u>\$ (20,064)</u>
<b>Expenditures - Debt service</b>	<u>\$ 82,943</u>	<u>\$ 82,943</u>	<u>\$ 62,465</u>	<u>\$ (20,478)</u>

### Debt Service Fund - Building Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Rent	\$ 485,969	\$ 485,969	\$ 485,974	\$ 5
Interest on investments	4,000	4,000	2,432	(1,568)
Total revenues	<u>\$ 489,969</u>	<u>\$ 489,969</u>	<u>\$ 488,406</u>	<u>\$ (1,563)</u>
<b>Expenditures - Debt service</b>	<u>\$ 480,770</u>	<u>\$ 480,770</u>	<u>\$ 438,576</u>	<u>\$ (42,194)</u>

### Capital Projects Fund - Capital Projects

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Interest on investments	\$ 30,000	\$ 30,000	\$ 25,424	\$ (4,576)
Special assessments	45,500	191,557	139,174	(52,383)
Other financing sources	-	208,843	141,765	(67,078)
Transfers in	913,356	801,215	801,215	-
Total revenues	<u>\$ 988,856</u>	<u>\$ 1,231,615</u>	<u>\$ 1,107,578</u>	<u>\$ (124,037)</u>
<b>Expenditures - Capital outlay</b>	<u>\$ 691,215</u>	<u>\$ 3,091,093</u>	<u>\$ 752,814</u>	<u>\$ (2,338,279)</u>

## Internal Service Funds

---

The **Stores and Equipment Fund** accounts for the costs of acquiring and maintaining equipment and supplies utilized in the operations of the City. Departments are charged a rate sufficient to cover all costs, plus a provision for depreciation and replacement.

The **Information Systems Fund** records the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

The **Insurance Fund** accounts for payment of public liability premiums.

The **Employee Benefits Fund** accounts for payment of certain employee benefits including health care and workers' compensation for which the City is self insured and finances its claim payments through budgeted transfers from other funds.



# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2004

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 196,585	\$ 370,591	\$ 153,540	\$ 581,005	\$ 1,301,721
Investments	-	14,000	172,000	1,902,000	2,088,000
Receivables:					
Interest	29	566	621	3,812	5,028
Other	43,525	-	-	58,041	101,566
Due from other funds	-	-	154,350	109,769	264,119
Prepaid costs and other assets	29,381	428	209,638	-	239,447
Inventories	27,955	-	-	-	27,955
Total current assets	297,475	385,585	690,149	2,654,627	4,027,836
Noncurrent assets - Capital assets	1,719,986	9,803	-	-	1,729,789
Total assets	2,017,461	395,388	690,149	2,654,627	5,757,625
<b>Liabilities</b>					
Current:					
Accounts payable	39,671	2,590	529	16,296	59,086
Accrued liabilities	49,915	20,138	-	2,420,023	2,490,076
Due to other funds	154,350	-	-	-	154,350
Total current liabilities	243,936	22,728	529	2,436,319	2,703,512
Noncurrent liabilities - Long-term debt	173,740	-	-	-	173,740
Total liabilities	417,676	22,728	529	2,436,319	2,877,252
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	1,546,246	9,803	-	-	1,556,049
Unrestricted	53,539	362,857	689,620	218,308	1,324,324
Total net assets	<u>\$ 1,599,785</u>	<u>\$ 372,660</u>	<u>\$ 689,620</u>	<u>\$ 218,308</u>	<u>\$ 2,880,373</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2004

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Operating Revenue</b>					
Charges to other funds	\$ 778,613	\$ 363,217	\$ 250,000	\$ 2,100,093	\$ 3,491,923
Other	20,655	41,628	-	6,064	68,347
Total operating revenue	799,268	404,845	250,000	2,106,157	3,560,270
<b>Operating Expenses</b>					
Insurance premiums and claims	72,556	49,664	280,647	2,983,727	3,386,594
Operations and maintenance	225,334	13,205	-	-	238,539
General and administrative	343,075	315,558	293	4,883	663,809
Depreciation	213,744	3,921	-	-	217,665
Total operating expenses	854,709	382,348	280,940	2,988,610	4,506,607
<b>Operating Income (Loss)</b>	(55,441)	22,497	(30,940)	(882,453)	(946,337)
<b>Nonoperating Income (Loss) -</b>					
Investment income	983	6,470	18,895	40,219	66,567
<b>Transfers to/from Other Funds</b>	(3,422)	(3,661)	-	171,411	164,328
<b>Net Income (Loss)</b>	(57,880)	25,306	(12,045)	(670,823)	(715,442)
<b>Net Assets - Beginning of year - As adjusted</b>	1,657,665	347,354	701,665	889,131	3,595,815
<b>Net Assets - End of year</b>	<u>\$ 1,599,785</u>	<u>\$ 372,660</u>	<u>\$ 689,620</u>	<u>\$ 218,308</u>	<u>\$ 2,880,373</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2004

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 775,491	\$ 363,217	\$ 295,739	\$ 2,123,536	\$ 3,557,983
Payments to suppliers	(342,532)	(123,555)	(10,352)	(49,020)	(525,459)
Payments to employees for wages and benefits	(315,284)	(233,559)	(280,647)	(2,801,540)	(3,631,030)
Other receipts/payments	20,655	41,628	-	6,064	68,347
Net cash provided by (used in ) operating activities	138,330	47,731	4,740	(720,960)	(530,159)
<b>Cash Flows from Noncapital Financing Activities -</b>					
Operating transfers in (out)	(3,422)	(3,661)	-	171,411	164,328
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal and interest paid on long-term debt	(37,790)	-	-	-	(37,790)
Issuance of capital lease	173,740	-	-	-	173,740
Purchase of capital assets	(241,952)	-	-	-	(241,952)
Net cash used in capital and related financing activities	(106,002)	-	-	-	(106,002)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	1,001	6,552	18,760	47,608	73,921
Purchase of investment securities	-	41,785	-	-	41,785
Proceeds from sale and maturities of investment securities	-	-	58,900	9,579	68,479
Net cash provided by investing activities	1,001	48,337	77,660	57,187	184,185
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	29,907	92,407	82,400	(492,362)	(287,648)
<b>Cash and Cash Equivalents - July 1, 2003</b>	166,678	278,184	71,140	1,073,367	1,589,369
<b>Cash and Cash Equivalents - June 30, 2004</b>	<u>\$ 196,585</u>	<u>\$ 370,591</u>	<u>\$ 153,540</u>	<u>\$ 581,005</u>	<u>\$ 1,301,721</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (55,441)	\$ 22,497	\$ (30,940)	\$ (882,453)	\$ (946,337)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	213,744	3,921	-	-	217,665
Changes in assets and liabilities:					
Receivables	(3,122)	-	-	(414)	(3,536)
Due from other funds	-	-	45,739	23,857	69,596
Prepaid costs and other assets	(5,554)	23,511	(10,585)	-	7,372
Inventory	15,107	-	-	-	15,107
Accounts payable	12,225	(6,786)	526	(44,137)	(38,172)
Accrued and other liabilities	7,110	4,588	-	182,187	193,885
Due to other funds	(45,739)	-	-	-	(45,739)
Net cash provided by (used in) operating activities	<u>\$ 138,330</u>	<u>\$ 47,731</u>	<u>\$ 4,740</u>	<u>\$ (720,960)</u>	<u>\$ (530,159)</u>

## **Pension and Other Employee Benefit Trust Funds**

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The **Pension Trust Fund** accounts for the activities of the Monroe Employees' Retirement System, which accumulates resources for pension benefit payments to qualified city employees. The money in this fund is obtained by employer pension expenses from operating funds (employer contributions), employee payroll deductions (employee contributions), and investment earnings.

The **Retiree Health Care Fund** accounts for costs related to retiree health care benefits. Financing is provided through budgeted transfers from other funds.

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2004

	Pension Trust	Retiree Health Care	Total
<b>Assets</b>			
Investments:			
U.S. government	\$ 15,971,672	\$ -	\$ 15,971,672
Stocks	57,132,873	-	57,132,873
Corporate bonds	22,285,749	-	22,285,749
Mutual funds	11,075,280	4,922,012	15,997,292
Other investments	3,573,148	-	3,573,148
Securities lending short-term collateral	11,677,881	-	11,677,881
Receivables:			
Interest	504,501	9	504,510
Other	-	100,086	100,086
<b>Total assets</b>	<b>122,221,104</b>	<b>5,022,107</b>	<b>127,243,211</b>
<b>Liabilities</b>			
Accrued and other liabilities	-	86,636	86,636
Amounts due to broker under securities lending agreement	11,677,881	-	11,677,881
<b>Total liabilities</b>	<b>11,677,881</b>	<b>86,636</b>	<b>11,764,517</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 110,543,223</b>	<b>\$ 4,935,471</b>	<b>\$ 115,478,694</b>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2004

	Pension Trust	Retiree Health Care	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,797,143	\$ -	\$ 2,797,143
Net increase in fair value of investments	13,885,658	607,131	14,492,789
Less investment expenses	(595,766)	-	(595,766)
Net investment income	16,087,035	607,131	16,694,166
Securities lending income:			
Interest and fees	198,929	-	198,929
Less borrower rebates and bank fees	(168,684)	-	(168,684)
Net securities lending income	30,245	-	30,245
Contributions:			
Employer	-	1,868,401	1,868,401
Employee	585,311	-	585,311
Total additions	16,702,591	2,475,532	19,178,123
<b>Deductions</b>			
Benefit payments	3,480,846	1,381,233	4,862,079
Refunds of contributions	21,700	-	21,700
Administrative expenses	48,592	7,118	55,710
Total deductions	3,551,138	1,388,351	4,939,489
<b>Net Increase</b>	13,151,453	1,087,181	14,238,634
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	97,391,770	3,848,290	101,240,060
End of year	<u>\$ 110,543,223</u>	<u>\$ 4,935,471</u>	<u>\$ 115,478,694</u>

## **Statistical Section**

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The statistical section presents comparative supplemental data on retirement systems, general governmental expenditures by function, general government revenue by source, statement of property taxes levied, collected, and outstanding, adjusted assessed value, and estimated full value of taxable property, direct and overlapping government schedule of tax rates (all taxing units), principal taxpayers, computation of legal debt margin, ratio of net general obligation bonded debt, ratio of annual debt service expenditures, revenue bond coverages, demographic statistics, and property value, construction, and bank deposits.

# City of Monroe, Michigan

## General Governmental Expenditures by Function Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Health and Welfare	Recreation and Culture	Capital Outlay/Projects	Debt Service	Other	Total
2004	\$ 3,296,274	\$ 8,357,193	\$ 6,473,435	\$ 398,816	\$ 2,228,214	\$ 752,814	\$ 493,451	\$ 581,708	\$ 22,581,905
2003	3,220,607	8,185,968	5,094,798	439,951	1,969,654	1,491,705	489,841	581,915	21,474,439
2002	3,048,006	7,827,038	6,309,539	448,615	1,861,874	1,852,104	401,150	587,031	22,335,357
2001	2,893,395	7,578,789	7,267,506	419,701	388,560	2,069,934	63,964	722,012	21,403,861
2000	2,458,253	7,394,091	4,484,654	550,387	343,368	899,816	180,764	792,630	17,103,963
1999	2,335,224	7,350,452	5,085,821	468,836	363,344	1,167,421	207,085	624,105	17,602,288
1998	2,228,858	6,845,341	4,046,587	859,310	390,616	849,457	527,486	938,334	16,685,989
1997	2,265,970	6,157,775	3,986,785	356,301	746,172	920,697	519,244	2,125,000	17,077,944
1996	1,959,601	5,814,763	4,022,003	375,642	786,907	1,126,730	589,454	2,593,684	17,268,784
1995	1,936,501	5,901,043	4,341,760	393,500	715,559	1,413,435	741,002	2,371,823	17,814,623



# City of Monroe, Michigan

## General Governmental Revenue by Source Last Ten Fiscal Years

Fiscal Year	Taxes Assessments and Penalty	Special Assessments	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeits	Miscellaneous	Interest, Rents, and Royalties	Total
2004	\$ 13,563,896	\$ 148,979	\$ 637,729	\$ 4,953,748	\$ 2,233,263	\$ 144,332	\$ 889,444	\$ 789,697	\$ 23,361,088
2003	13,065,797	147,885	607,016	4,163,164	2,318,962	129,293	978,171	882,947	22,293,235
2002	12,498,929	99,040	970,254	4,844,202	2,113,159	117,898	397,484	1,068,914	22,109,880
2001	12,218,537	141,902	580,729	5,057,295	969,235	135,059	370,750	1,147,544	20,621,051
2000	11,503,032	221,444	528,411	4,503,278	369,032	102,866	334,923	971,013	18,533,999
1999	11,354,877	111,080	482,142	4,937,887	321,607	115,541	292,714	831,395	18,447,243
1998	11,045,189	40,083	498,459	4,616,377	374,365	86,746	201,488	772,805	17,635,512
1997	11,017,566	106,409	502,041	3,978,092	525,537	81,026	736,252	575,229	17,522,152
1996	11,008,929	199,050	425,062	3,946,930	512,411	83,310	840,667	535,191	17,551,550
1995	10,567,964	240,055	477,314	4,388,791	691,474	85,890	675,509	428,378	17,555,375

# City of Monroe, Michigan

## Property Taxes Levied, Collected, and Outstanding June 30, 2004

Collection Period July 1 to Feb. 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax	Delinquent Tax Collections	Delinquent Balance as of June 30	Cumulative Collections (Current and Delinquent)	Percent Collected
2003-2004	2003	\$ 13,692,619	\$ 13,478,386	98	\$ 214,233	\$ 192,543	\$ 21,690	\$ 13,670,929	100
2002-2003	2002	12,710,425	12,428,201	98	282,224	189,651	92,573	12,617,852	99
2001-2002	2001	12,164,082	11,520,329	95	643,753	564,123	79,630	12,084,452	99
2000-2001	2000	11,829,828	11,358,754	96	471,074	441,521	29,553	11,800,275	100
1999-2000	1999	11,511,622	11,321,851	98	189,771	181,628	8,143	11,503,479	100
1998-1999	1998	10,864,753	10,584,949	97	279,804	236,774	43,030	10,821,723	100
1997-1998	1997	10,581,504	10,327,156	98	254,348	252,204	2,144	10,579,360	100
1996-1997	1996	10,444,153	10,249,894	98	194,259	176,839	17,420	10,426,733	100
1995-1996	1995	10,480,163	10,116,056	97	364,107	351,197	12,910	10,467,253	100
1994-1995	1994	9,515,918	9,166,522	96	349,396	349,384	12	9,515,906	100

## City of Monroe, Michigan

### Assessed and Estimated Full Value of Taxable Property Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total	Full Value	Percentage Assessed to Full Value
2004	\$ 777,719,505	\$ 135,073,960	\$ 912,793,465	\$ 2,115,603,400	43
2003	734,664,870	141,531,815	876,196,685	2,010,163,380	44
2002	694,735,325	141,678,680	836,414,005	1,896,372,100	44
2001	680,146,695	138,266,975	818,413,670	1,844,611,060	44
2000	664,877,190	149,301,355	814,178,545	1,813,362,420	45
1999	641,904,105	139,448,465	781,352,570	1,719,583,480	45
1998	632,832,018	128,633,350	761,465,368	1,637,671,260	46
1997	603,325,455	129,038,245	732,363,700	1,553,187,620	47
1996	585,431,846	122,720,050	708,151,896	1,488,944,900	48
1995	582,973,800	125,995,350	708,969,150	1,417,938,300	50

# City of Monroe, Michigan

## Direct and Overlapping Governmental Schedule of Tax Rates (All Taxing Units) (per thousand dollars of state equalized valuation)

### Monroe School District

Year	SEV Factor	City Tax	MCC College Tax	County Tax	Library Tax	LET Tax	ISD Tax	Nonhomestead School Tax	Homestead School Tax	State Education Levy
2004	1.0000	15.3156	2.1857	5.4046	1.0000	0.3922	4.7541	18.9985	0.9985	6.0000
2003	1.0000	15.0030	2.1787*	5.3773	0.8111	0.3346	4.7700	18.9941	0.9941	6.0000
2002	1.0000	15.0030	2.1949*	5.4768	0.8173	0.3311	4.7924	18.9974	0.9974	6.0000
2001	1.0000	15.0030	2.1980*	5.4843	0.8185	0.3151	4.8010	18.9989	0.9989	6.0000
2000	1.0000	15.0030	2.2007*	5.4907	0.4891	0.3127	4.8010	18.9998	0.9998	6.0000
1999	1.0000	14.5030	2.2043*	5.4993	0.4899	0.2507	4.8189	19.0000	1.0000	6.0000
1998	1.0000	14.2530	2.2043	5.4993	0.4899	0.2313	4.8189	19.0000	1.0000	6.0000
1997	1.0000	14.2530	2.2043	5.4993	0.4899	0.2729	3.8189	19.0000	1.0000	6.0000
1996	1.0000	14.6386	2.2043	5.4993	0.4899	0.2400	3.8189	19.0000	1.0000	6.0000
1995	1.0000	15.1809	2.2043	5.5093	0.4899	0.2400	3.8189	19.0000	1.0000	6.0000

\* Changed time of levy from summer to winter

### Jefferson School District

Year	SEV Factor	City Tax	MCC College Tax	County Tax	Library Tax	LET Tax	ISD Tax	Nonhomestead School Tax	Homestead** School Tax	State Education Levy
2004	1.0000	15.3156	2.1857	5.4046	1.0000	0.3922	4.7541	18.0000	-	6.0000
2003	1.0000	15.0030	2.1787*	5.3773	0.8111	0.3346	4.7700	18.0000	-	6.0000
2002	1.0000	15.0030	2.1949*	5.4768	0.8173	0.3311	4.7924	18.0000	-	6.0000
2001	1.0000	15.0030	2.1980*	5.4843	0.8185	0.3151	4.8010	18.1770	0.1770	6.0000
2000	1.0000	15.0030	2.2007*	5.4907	0.4891	0.3127	4.8010	18.2100	0.2100	6.0000
1999	1.0000	14.5030	2.2043*	5.4993	0.4899	0.2507	4.8189	18.1900	0.1900	6.0000
1998	1.0000	14.2530	2.2043	5.4993	0.4899	0.2313	4.8189	18.1600	0.1600	6.0000
1997	1.0000	14.2530	2.2043	5.4993	0.4899	0.2729	3.8189	18.2000	0.2000	6.0000
1996	1.0000	14.6386	2.2043	5.4993	0.4899	0.2400	3.8189	18.2300	0.2300	6.0000
1995	1.0000	15.1809	2.2657	5.5093	0.4899	0.2400	3.8189	18.2300	0.2300	6.0000

\* Changed time of levy from summer to winter

\*\* City of Monroe has no Jefferson School District homestead properties located in its boundaries

# City of Monroe, Michigan

## Principal Taxpayers June 30, 2004

<u>Taxpayer</u>	<u>Principal Product/Service</u>	<u>Taxable Value</u>	<u>Percent of Total</u>
Detroit Edison	Electric utility	\$ 345,512,170	37.85
Visteon Corporation	Automotive stamping	60,528,675	6.63
Macsteel Monroe	Steel processing	33,147,970	3.63
Howard Ternes	Warehousing, land developer	5,352,560	0.59
Delta USA Corp.	Automotive parts manufacturer	5,129,295	0.56
Riverbend Commons, LLC	Shopping center	5,038,280	0.55
National Galvanizing	Steel processing	4,844,350	0.53
Thompson McCully Co.	Asphalt manufacturer	3,634,195	0.40
Benchmark Homes	Apartment complex	3,295,220	0.36
Holiday Inn of Monroe	Motel	2,811,330	0.31
Total taxable assessed value of ten largest taxpayers		469,294,045	51.41
Total taxable assessed value of all other taxpayers		443,499,420	48.59
Total taxable assessed value of all taxpayers		<u><u>\$ 912,793,465</u></u>	<u><u>100.00</u></u>

# City of Monroe, Michigan

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## Special Assessment Billings and Collections Computation of Legal Debt Margin June 30, 2004

Assessed valuations at December 31, 2002		\$ 1,007,273,590
Legal debt margin:		
Debt limitation - 10 percent of total assessed value		100,727,359
Debt applicable to limitation:		
Total bonded debt	\$ 8,288,205	
Less revenue bonds	<u>1,285,000</u>	
Total debt applicable to limitation		<u>7,003,205</u>
Legal debt margin		<u><u>\$ 93,724,154</u></u>

# City of Monroe, Michigan

## Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Years

Fiscal Year	Population	Adjusted Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004	22,076	\$ 1,007,273,590	\$ 8,288,205	\$ 149,986	\$ 1,285,000	\$ 6,853,219	0.68	310
2003	22,076	1,005,081,690	8,655,847	120,172	1,480,000	7,055,675	0.70	320
2002	22,076	948,186,000	8,992,190	109,727	1,655,000	7,227,463	0.76	327
2001	22,076	922,305,530	8,142,562	96,807	1,800,000	6,245,755	0.68	283
2000	22,076	906,681,210	8,441,634	70,159	2,005,000	6,366,475	0.70	288
1999	21,964	859,791,740	8,694,408	66,432	2,175,000	6,452,976	0.75	294
1998	21,922	818,835,630	8,964,365	159,186	2,340,000	6,465,179	0.79	295
1997	22,245	776,593,810	9,318,688	348,636	2,397,383	6,572,669	0.85	295
1996	22,334	744,472,450	4,009,930	377,652	3,063,969	568,309	0.08	25
1995	22,409	708,969,150	4,908,415	450,123	3,704,197	754,095	0.11	34

## City of Monroe, Michigan

### Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
2004	\$ 210,432	\$ 323,582	\$ 534,014	\$ 22,581,905	2.36
2003	141,343	328,147	469,490	21,474,439	2.19
2002	135,371	335,342	470,713	22,335,357	2.11
2001	124,073	342,055	466,128	21,403,861	2.18
2000	82,774	347,338	430,112	17,103,963	2.51
1999	104,957	358,047	463,004	17,602,288	2.63
1998	393,809	354,976	748,785	16,685,989	4.49
1997	406,242	73,926	480,168	17,077,944	2.81
1996	362,468	105,412	467,880	17,268,784	2.71
1995	534,472	128,265	662,737	17,814,623	3.72



# City of Monroe, Michigan

## Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	Percent Coverage
2004	\$ 4,951,718	\$ 3,975,461	\$ 976,257	\$ 195,000	\$ 59,875	\$ 254,875	383
2003	4,546,129	4,271,998	274,131	175,000	72,218	247,218	111
2002	3,998,651	3,654,279	344,372	175,000	81,574	256,574	134
2001	4,159,667	3,785,102	374,565	175,000	92,755	267,755	140
2000	4,250,504	2,764,478	1,486,026	170,000	104,191	274,191	542
1999	4,190,765	3,070,715	1,120,050	165,000	59,963	224,963	498
1998	3,750,133	3,057,012	693,121	1,683,099	192,577	1,875,676	37
1997	4,072,053	3,083,012	989,041	150,000	164,050	314,050	315
1996	4,135,166	3,329,465	805,701	550,000	207,550	757,550	106
1995	4,287,577	3,286,887	1,000,690	1,000,000	249,753	1,249,753	80

# City of Monroe, Michigan

## Demographic Statistics Last Ten Fiscal Years

Calendar Year	Population (1)	Median Age (2)	Public School Enrollment (3)	Average Percent Annual Unemployment Rate (4)
2003	22,076	35	6,967	7.8
2002	22,076	35	7,095	6.0
2001	22,076	35	7,010	4.7
2000	22,076	35	6,819	3.4
1999	21,964	33	6,887	3.4
1998	21,922	33	7,002	3.4
1997	22,245	33	7,028	4.0
1996	22,334	33	7,176	4.3
1995	22,409	33	2,171	5.6
1994	22,544	33	7,240	5.9

(1) Estimates from Population Estimates Program, Population Division, U.S. Census Bureau

(2) Profile of general demographic characteristics, U.S. Census Bureau

(3) Provided by Monroe Public School Administration. Grades K-12

(4) As reported by the Michigan Department of Career Development Employment Service Agency July 1, 2002 estimate from Southeast Michigan Council of Governments (SEMCOG)

# City of Monroe, Michigan

## Property Value and Construction Last Ten Fiscal Years

Fiscal Year	Commercial	Agricultural	Industrial	Utility	Residential	Total
2004	\$ 130,936,070	\$ 302,100	\$ 164,735,100	\$ 347,348,190	\$ 414,480,240	\$ 1,057,801,700
2003	125,800,670	399,740	155,841,630	333,783,370	389,256,280	1,005,081,690
2002	105,979,980	371,440	156,447,310	322,237,790	363,149,530	948,186,050
2001	103,972,690	371,440	152,861,570	322,844,300	342,255,530	922,305,530
2000	96,515,400	118,580	162,879,430	322,896,210	324,271,590	906,681,210
1999	94,896,470	265,960	144,512,070	316,296,370	303,820,870	859,791,740
1998	82,819,670	261,300	142,210,420	310,710,640	282,833,600	818,835,630
1997	76,311,520	136,450	146,030,900	292,868,590	261,246,350	776,593,810
1996	75,509,950	136,450	138,001,950	284,806,400	246,017,700	744,472,450
1995	73,218,350	64,800	129,138,300	278,749,450	227,798,250	708,969,150

## City of Monroe, Michigan

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### Construction Permits Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Value</u>
2004	1,332	\$ 23,011,761
2003	1,389	29,572,263
2002	1,498	417,301,384
2001	1,483	24,476,826
2000	1,516	23,724,246
1999	1,525	19,243,768
1998	1,539	20,772,894
1997	1,517	24,740,062
1996	1,457	14,875,937
1995	1,633	26,237,599

# **City of Monroe, Michigan**

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## **Federal Awards Supplemental Information June 30, 2004**

# City of Monroe, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

We have audited the basic financial statements of the City of Monroe, Michigan for the year ended June 30, 2004 and have issued our report thereon dated September 24, 2004. Those basic financial statements are the responsibility of the management of the City of Monroe, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Monroe, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 24, 2004

A member of



A worldwide association of independent accounting firms



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## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

We have audited the financial statements of the City of Monroe, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Monroe, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Monroe, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Monroe, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-01.



To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Audit Committee, Board/Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 24, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

**Compliance**

We have audited the compliance of the City of Monroe, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The major federal program of the City of Monroe, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express an opinion on the City of Monroe, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Monroe, Michigan's compliance with those requirements.

In our opinion, the City of Monroe, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

### **Internal Control Over Compliance**

The management of the City of Monroe, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board/Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 24, 2004

# City of Monroe, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Transportation - Federal Surface Transportation Program - Passed through the Michigan Department of Transportation:				
Advance Construction Contract - Part A	20.205	DPO 58416	\$ 4,992,768	\$ 300,398
Advance Construction Contract - Part B	20.205	HPP 58416	3,418,444	997
Advance Construction Contract - Part C	20.205	HPP 58416	3,211,881	76,636
Traffic signals	20.205	STP 0258011 & STP 0258012 & STP 0458015	100,670	29,932
Railroad consolidation	20.205	HDP 9112001	15,887	400
Railroad consolidation	20.205	HDP 9112001-001	185,765	3,675
Elm Avenue reconstruction	20.205	STP 0358011	383,973	<u>383,997</u>
Total U.S. Department of Transportation				796,035
U.S. Department of Justice - Passed through the Michigan Office of Drug Control Policy:				
Bulletproof Vest Partnership Grant	16.592	00001986	27,351	2,960
2001 Local Law Enforcement Block Grant	16.592	2001LBBX0899	19,332	8,529
2002 Local Law Enforcement Block Grant	16.592	2002LBBX0853	13,786	<u>11,785</u>
Total U.S. Department of Justice				23,274
U.S. Department of Homeland Security - Emergency Preparedness and Response Directorate Assistance to Firefighters Grant Program	83.554	2004576410ORA632100004101D	61,148	18,002
U.S. Department of the Interior - Passed through the Michigan Department of History - Arts and Libraries - Management Plan - Battlefield Site	15.926	CG02-368	17,000	4,079
U.S. Environmental Protection Agency - Brownfield Cleanup Revolving Loan	66.811	BL-97598201	1,000,000	<u>944,914</u>
Total federal awards				<u>\$ 1,786,304</u>

# City of Monroe, Michigan

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## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 993,458
Add U.S. Department of interior grants reported as state revenue	4,079
Add State-administered Federal Surface Transportation Grant Funds not recorded in the financial statements or recorded net:	
Advance Construction Grant - Part A	300,398
Advance Construction Grant - Part B	997
Advance Construction Grant - Part C	76,636
Traffic signals	29,932
Railroad consolidation	400
Railroad consolidation	3,675
Elm Avenue reconstruction	383,997
Less other revenue reported as federal revenue on financial statements	<u>(7,268)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 1,786,304</b></u>

# City of Monroe, Michigan

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Monroe, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
66.811	Brownfield Cleanup Revolving Loan

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

### Section II - Financial Statement Audit Findings

Reference Number	Findings
04-I	<p><b>Finding Type</b> - Reportable condition</p> <p><b>Condition</b> - The City did not fully reconcile all bank accounts in a timely manner.</p> <p><b>Description</b> - In order to maintain appropriate internal control, timely and thorough bank reconciliations should be prepared. We recommend, and the City of Monroe, Michigan concurs, that complete and accurate bank reconciliations will be prepared in the future.</p>

### Section III - Federal Program Audit Findings

None



December 1, 2004

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan  
120 East First Street  
Monroe, MI 48161

Dear Mayor and City Council Members:

We recently completed the audit of the financial statements of the City of Monroe, Michigan (the "City") for the year ended June 30, 2004. We thank the city manager and finance department for the effort put forth in preparing for the audit. In addition to the audit report, we offer the following comments for your consideration.

In planning and performing our audit, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

### **Bank Reconciliations**

In the current year, as in the prior year, bank reconciliations were performed but bank balances were not fully reconciled to the general ledger. Accurate bank reconciliations are an essential part of an effective internal control structure. We noted that the APF investment was not fully reconciled on a monthly basis and discrepancies were not investigated in a timely manner. To facilitate a thorough reconciliation, the APF reconciliation should be reviewed by someone independent of the reconciliation process.

In addition, the City should bear in mind that effective internal controls call for someone independent of the cash custody and recordkeeping functions (including those with the ability to make bank transfers) to perform the reconciliations. Given this, the City should consider having the bank reconciliations performed by someone in the clerk/treasurer's department that does not perform cash receipting, disbursing, or accounting duties.

### **Purchase Order System**

There was an instance where an invoice greater than \$250 was paid even though the required purchase order was not prepared. The City should ensure that the purchase order threshold is adhered to or, if special situations exist, that the reasons for not issuing a purchase order are clearly documented.

### **Employees' Retirement System**

As you know, the City has been able to forego a retirement contribution for many years due to the funding status of the plan. However, with the recent extended market downturn, the City may soon be required to once again make contributions. According to the actuary report dated June 1, 2004, the market value of the assets in the pension plan is currently \$2.0 million below the actuarial "smoothed" value of the assets. This means that the Plan's investment return must outpace the assumed 7.5 percent rate for the next two years in order to avoid "actuarial" losses, and a potential need to reinstitute employer contributions.

### **Current State Financial Picture**

State-shared revenue accounts for approximately 12 percent of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue-sharing payments to local units of government) and the State's budget problems, which have resulted in additional appropriation reductions to the revenue-sharing line item in the State's budget, revenue-sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state-shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue-sharing payments to cities, villages, and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the governor in early 2005). Also, during October 2004, the governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to the State's tax structure, we continue to urge the City to be very conservative in its estimation of state-shared revenue as this line item in the State's budget remains vulnerable.

The following table sets forth a history of your revenue-sharing payments, based upon the State's fiscal year:

Year Ended September 30	Constitutional	Statutory	Total
2001	\$ 1,423,669	\$ 1,356,566	\$ 2,780,235
2002	1,438,515	1,140,691	2,579,206
2003	1,464,720	970,961	2,435,681
2004	1,452,551	739,443	2,191,994
2005 - Estimated	1,510,620	678,455	2,189,075

Over the past several years, the City has made great progress in building a healthy fund balance. Undesignated fund balance for the General Fund is approximately \$2,956,000 for the year ended June 30, 2004, an increase of approximately 1.2 percent from the previous year. As we have all learned, fund balance is necessary due to uncertainty related to major revenue sources and increasing costs. The City is well positioned in the short term to weather this downturn because of the fund balance that exists. We encourage management to make every effort to protect and grow the level of fund balance. This will ensure the City's health for years to come.

### Property Taxes

As you will recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2005	2.3%		
2004	2.3%	1999	1.6%
2003	1.5%	1998	2.7%
2002	3.2%	1997	2.8%
2001	3.2%	1996	2.8%
2000	1.9%	1995	2.6%

The 2003 inflation factor, which was the lowest level of inflation in the last 10 years, was used for property taxes levied in the City's year ended June 30, 2004. As indicated above, growth in existing property is significantly limited due to Proposal A. This factor should be considered when the City is involved in long-term financial planning.

The Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth in the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. The charter operating mills are 15.0000 versus the Headlee limited mills of 14.6645. The City is currently not levying at capacity, but the millage capacity (the difference between actual levy and Headlee maximum) of the City will continue to shrink as the rates get "rolled back" annually.

During the audit of property taxes, we noted approximately \$900,000 of delinquent personal property taxes, of which \$300,000 relates to the City and the remainder relates to the schools and county. The City should take steps to ensure that these receivables are aggressively pursued.

### **Other Legislative Matters**

During the current legislative session, there have been a number of bills introduced that will impact local governments. The following is a highlight of several of the bills:

- HB 4880, as passed by the House in August 2004, proposes to increase property taxes for mobile home owners with additional monies earmarked for local governments.
- HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy, Michigan.
- HB 4649 was passed by the House and would allow local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.

- HB 5358 was introduced and would change the requirements for personal property tax examiners, including requiring the State Tax Commission to qualify examiners based on experience and examination, requiring examiners to be employees of a local government, and making payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.
- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with a taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.
- SB 721 was introduced which would assess a \$3 per ton tipping fee at landfills which could increase the cost of refuse disposal for local governments. The monies generated from this legislation are intended to be used by the State for recycling.

### **Postemployment Benefits**

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB No. 43 and No. 45 address the accounting and disclosures related to postemployment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care promises to retirees, much in the same way that pensions are handled. It is our understanding that the City recently had an actuarial valuation performed for this liability. Starting in fiscal year 2007-2008, the City will be required to measure its retiree health care liability through actuarial valuations that are to be performed biennially. These valuations will compute an "annual required contribution." The annual required contribution is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less. Currently, the City has over \$4,900,000 set aside in the Retiree Health Care Fund to help offset this liability. We commend the City for having the foresight to begin pre-funding this liability.

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the City may want to consider this option as it evaluates and continues to try to control its health care costs.

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan

6

December 1, 2004

### **Transportation Matters**

The Legislature recently approved HB 5319, which would earmark one-half of one cent of the state gasoline tax for the preservation, improvement, or reconstruction of existing bridges. It is estimated that over the next 10 years, approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the Michigan Department of Transportation for state bridges. The legislation creates a Local Bridge Authority to manage the monies as well as seven five-member regional bridge councils. The new Authority would consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two nonvoting members nominated by the Department of Transportation.

Also, HB 4358 has been introduced which changes vehicle weight restrictions on Michigan roads for certain trucks (without regard to existing limitations imposed by local governments) and could reduce overweight truck fines.

### **Public Accounting Update**

During the current audit, a new standard related to the detection of fraud in an organization was implemented. The new standard adds greater guidance related to the steps an auditor must perform in assessing the risk of fraud. It also specifies that nonaccounting personnel must be included in an auditor's inquiries related to fraud.

We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the City staff during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

Yours truly,

**Plante & Moran, PLLC**



Beth A. Bialy



April L. King